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This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (“Regulation S”)) absent registration, except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Company and will contain detailed information about the Company and management, as well as financial statements. The Company does not intend to register any part of the securities in the United States.



港龍中國地產
GANGLONG CHINA PROPERTY

Ganglong China Property Group Limited

港龍中國地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6968)

ISSUANCE OF US\$150 MILLION 13.5% SENIOR NOTES DUE 2021

OVERSEAS REGULATORY ANNOUNCEMENT

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

Please refer to the attached offering memorandum (the “**Offering Memorandum**”) in relation to the issuance of US\$150 million 13.5% senior notes due 2021 by Ganglong China Property Group Limited (the “**Company**”), which is available on the website of the Singapore Exchange Securities Trading Limited.

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

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

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

By Order of the Board
Ganglong China Property Group Limited
Lui Wing Wai
Chairman and executive Director

4 December 2020

As of the date of this announcement, the executive directors of the Company are Mr. Lui Wing Wai (Chairman), Mr. Lui Jin Ling, and Mr. Lui Chi Chung Jimmy. The non-executive directors of the Company are Mr. Lui Wing Mau and Mr. Lui Wing Nam. The independent non-executive directors of the Company are Mr. Wan Ho Yin, Mr. Guo Shaomu, and Ms. Tang Lo Nar.

IMPORTANT NOTICE

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

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

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

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

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

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

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited, Seazen Resources Securities Limited, China Vered Securities Limited, Glory Sun Securities Limited, HeungKong Securities Limited and Huajin Securities (International) Limited (together, the “Joint Lead Managers”), China Construction Bank (Asia) Corporation Limited, as trustee, (the “Trustee”), or China Construction Bank (Asia) Corporation Limited, as the paying and transfer agent (the “Agents”), any person who controls it or any director, officer, employee or agent of it or affiliate or adviser of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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



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港龍中國地產集團有限公司

(incorporated in the Cayman Island with limited liability)

US\$150,000,000

13.5% SENIOR NOTES DUE 2021

ISSUE PRICE: 100%

The 13.5% Senior Notes due 2021 (the “Notes”) will bear interest from December 2, 2020 at 13.5% per annum payable in arrear on June 2, 2021 and December 1, 2021. The Notes will mature on December 1, 2021.

The Notes are senior obligations of Ganglong China Property Group Limited 港龍中國地產集團有限公司 (the “Company” or “Issuer”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than those organized under the laws of the PRC. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees.

At any time prior to December 1, 2021, we may, at our option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to December 1, 2021, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture governing the Notes (the “Indenture”), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes are (1) general obligations of the Company; (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); (4) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to certain limitations; (5) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (6) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

For a more detailed description of the Notes, see the section entitled “Description of the Notes” beginning on page 147.

Investing in the Notes involves certain risks. Please see “Risk Factors” beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

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

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

It is expected that delivery of the Notes will be made on or about December 2, 2020 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International

CMB International

Joint Bookrunners and Joint Lead Managers

Seazen Resources

China Vered Financial

Glory Sun Financial

HeungKong Financial

Huajin Securities (International) Limited

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

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

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

which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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

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

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

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

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

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

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

No representation or warranty, express or implied, is made or given by Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited, Seazen Resources Securities Limited, China Vered Securities Limited, Glory Sun Securities Limited, HeungKong Securities Limited and Huajin Securities (International) Limited (the “Initial Purchasers”), the Trustee, the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. The Initial Purchasers, the Trustee, the Agents, or any person who controls any of them or any of their respective directors, officers, employees, agents, affiliates or advisers have not independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, the Initial Purchasers, the Trustee, the Agents, or any person who controls any of them or any of their respective directors, officers, employees, agents, affiliates or advisers do not accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers or on their behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers, the Trustee, the Agents, or any person who controls any of them or any of their respective directors, officers, employees, agents, affiliates or advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

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

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

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. Neither we nor the Initial Purchasers, the Trustee, the Agents, any person who controls any of them, nor any of their respective directors, officers, employees, affiliates, advisers, agents or representatives are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Notes.

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”) under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA; (ii) to a relevant person as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB7.0651 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK\$7.7501 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which differ in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”) and certain other jurisdictions. Unless the context otherwise requires, references to “2017,” “2018” and “2019” in this offering memorandum are to our financial years ended December 31, 2017, 2018 and 2019, respectively.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.01, in our share capital.

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

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

FORWARD-LOOKING STATEMENTS

Certain statements in this offering memorandum are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this offering memorandum), uncertainties and other factors some of which are beyond our control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects,
- our strategies, plans and goals and our ability to implement such strategies, plans and goals,
- general political and economic conditions in China,
- the development of the property development and related markets in China,
- future developments, competition, trends, regulatory environment and conditions in the property development industry and any other industries we operate or plan to operate in China,
- our dividend policy,
- projects under development,
- our future capital needs and capital expenditure plans,
- capital markets developments,
- volumes, operations, margins, overall market trends and risk management,
- other statements in this offering memorandum that are not historical fact,
- exchange rate fluctuations and developing legal system, in each case pertaining to China and the industry and markets in which we operate,
- financial condition and performance,
- macroeconomic measures taken by China to manage economic growth, and
- other factors beyond our control.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions are made as of the date of this document.

Any such intentions may change in light of future developments. All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

ENFORCEMENT OF CIVIL LIABILITIES

We are a limited liability exempted company incorporated in the Cayman Islands and operate principally in China. As substantially all of our business is conducted, and substantially all of our assets are located, in China, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Substantially all of our Directors and officers and the experts named herein reside outside the United States. All or a substantial portion of our assets and of such persons' assets are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

The Notes and the Indenture are each governed by the laws of the State of New York. Under the Notes and the Indenture, we and the Subsidiary Guarantors will irrevocably submit to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan in The City of New York over any suit, action or proceeding arising out of or relating to the Notes, the Subsidiary Guarantee and the Indenture. We and the Subsidiary Guarantors expect to appoint Cogency Global Inc. as the agent to receive service of process with respect to any action brought against us or the Subsidiary Guarantors in the United States federal courts sitting in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Subsidiary Guarantors in the courts of the State of New York in the Borough of Manhattan, the City of New York under the securities laws of the State of New York.

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

Ganglong Huayang Development Ltd. (港龍華揚發展有限公司) (“**Ganglong Huayang**”) and Profit Great Investment Limited (盈裕投資有限公司) (“**Profit Great**”) are incorporated in the BVI. Any final and conclusive monetary judgment for a definite sum obtained against Ganglong Huayang and Profit Great in a competent foreign court in respect of the Notes would be treated by the courts of the BVI as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that:

- (i) the foreign court had jurisdiction in the matter and the BVI company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (ii) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- (iii) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the foreign court;

- (iv) recognition or enforcement of the judgment would not be contrary to BVI public policy; and
- (v) the proceedings pursuant to which judgment was obtained were not contrary to the principles of natural justice.

We have also been advised by Jingtian & Gongcheng, our counsel as to PRC Law, that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law that became effective on July 1, 2017. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment was made or on reciprocity between jurisdictions. Jingtian & Gongcheng has advised us further that, under the PRC Civil Procedure Law, a foreign judgment which does not violate basic legal principles, state sovereignty, state security, or social public interest may be recognized and enforced by a PRC court, based either on treaties between China and the country where the judgment was made or on reciprocity between jurisdictions. As there currently exists no treaty or other form of reciprocity between China and the United States governing the recognition of judgments, including those predicated solely upon the liability provisions of the United States federal securities laws, there is uncertainty as to whether and on what basis a PRC court would enforce judgments rendered by United States courts.

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

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this offering memorandum as they relate to us and as they are used in this offering memorandum in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or usage of those terms.

“ASP”	average selling price
“building ownership certificate”	building ownership certificate issued by relevant PRC government authorities with respect to the ownership rights of buildings (房屋所有權證)
“CAGR”	compound annual growth rate
“Central Region”	economic region which covers Henan Province, Hubei Province, Hunan Province and Anhui Province of the PRC, for the purpose of this offering memorandum
“commodity residential properties”	residential properties developed by a property developer for sale
“completion certificate”	construction work completion inspection acceptance certificate/record issued by local urban construction bureaux or competent authorities in the PRC with respect to completion of property projects (竣工驗收備案)
“construction land planning permit”	construction land planning permit issued by local urban zoning and planning bureaux or competent authorities in the PRC (建設用地規劃許可證)
“construction work commencement permit”	construction work commencement permit issued by local construction committees or competent authorities in the PRC (建築工程施工許可證)
“construction work planning permit”	construction work planning permit issued by local urban zoning and planning bureaux or competent authorities in the PRC (建設工程規劃許可證)
“contracted GFA” or “contracted sales”	the aggregate amount of GFA pre-sold/sold or sales (as the case may be) set forth in all of the pre-sale and sale property purchases contracts entered by us and our joint venture and associated companies during a given year regardless of when the properties would be delivered; contract sales data is our operating data, which is provided for investor’s reference only; it differs from revenue in that the latter is an accounting concept, the amount of which is recognized for a specific year or period according to applicable accounting stand and rules
“COVID-19”	coronavirus disease 2019
“EIT”	《中國人民共和國企業所得稅法》(the PRC Enterprise Income Tax)

“ERP”	enterprise resource planning
“GDP”	gross domestic product
“GFA”	gross floor area
“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA
“jointly developed projects”	property projects developed or to be developed by our non-wholly-owned subsidiaries, joint ventures or associated companies
“land grant contract”	a land use rights grant contract (土地使用權出讓合同)
“land use rights certificate”	a certificate (or certificates as the case may be) of the right of a party to use a parcel of land (土地使用權證)
“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)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“occupancy rate”	refers to the ratio of leased GFA to rentable GFA held for property investment of a property development project on a given date
“OA”	office automation
“plot ratio”	the ratio between the saleable GFA of a development and the area of the site on which it is erected
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“pre-sale permit”	a pre-sale permit authorizing a developer to start the pre-sale of a property under construction (商品房預售許可證)
“real estate title certificate”	a certificate to ascertain the ownership title of a party over a parcel of land and/or the building(s) erected upon (不動產權證書)
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the 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)
“SAT”	the State Administration of Taxation (國家稅務總局)

“Saleable GFA”	GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from governmental authorities relating to the project
“second-tier cities”	for the purpose of this offering memorandum, includes Nanjing and Hangzhou
“sq.km.”	square kilometer
“sq.m.”	square meter
“third-tier cities”	for the purpose of this offering memorandum, includes Changshu, Changzhou, Hai’an, Haimen, Huai’an, Lianyungang, Nantong, Taixing, Taizhou, Yancheng, Yixing, Luoyang, Huzhou, Shaoxing, Zhangjiagang, Jiaxing, Jiangyin and Rugao
“Yangtze River Delta Region”	economic region which covers Shanghai, Jiangsu Province, Anhui Province and Zhejiang Province of the PRC

SUMMARY

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

OVERVIEW

We are an established property developer in the Yangtze River Delta Region focusing on the development and sales of residential properties and accompanying ancillary facilities, such as retail units, car parks and ancillary areas. Headquartered in Shanghai, we have established an active presence and a strategic regional coverage in the Yangtze River Delta Region, one of the most economically prosperous and vibrant regions in the PRC, which is expected to enjoy healthy economic growth.

We were founded in Changzhou in 2007 and since then have expanded our footprint in surrounding cities near the Yangtze River Delta Region including Changshu, Yancheng and Nantong in Jiangsu Province and Hangzhou, Jiaxing, Huzhou and Shaoxing in Zhejiang Province. Leveraging our brand, experience and execution capability in property development, we further expanded into Shanghai, a first-tier city, and major cities in Henan and Guizhou provinces in 2018. According to Cushman & Wakefield Limited, or C&W, we ranked 83rd among the property developers in the residential property market in the PRC in terms of contracted GFA sold in 2019.

Adhering to our core values of “striving for innovation, building with integrity” (用心創新，以誠築城), we believe that we have built an excellent reputation in our markets for constant innovation, quality of our various product series and credibility. Our targeted customer groups mainly include (i) first-time homebuyers, (ii) mid-range home-upgraders; and (iii) high-end home-upgraders. Depending on the local market demand and government development plans, we intend to meet the demand of each of our targeted customer groups by enriching our product series and improving our product quality and design. We were awarded with “Enterprise of Observing Contract and Valuing Credit (守合同重信用企業)” during 2015 to 2018, “2018 Advanced and Comprehensive Inspection Award in the 1st Construction Market of Changzhou City (常州市2018年第一次建築市場綜合大檢查綜合先進獎)” in 2018, “2018 Changzhou Star Enterprise (2018年度常州明星企業)” in 2019 and “2019 Changzhou Five Star Enterprise (2019年度常州五星級明星企業)” in 2020.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we derived all of our revenue from development and sales of properties. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue amounted to RMB433.9 million, RMB1,659.6 million, RMB1,978.0 million (US\$280.0 million), RMB590.5 million and RMB1,713.1 million (US\$242.5 million), respectively, and our net profit amounted to RMB32.8 million, RMB332.0 million, RMB470.1 million (US\$66.5 million), RMB69.7 million and RMB321.1 million (US\$45.4 million), respectively.

We intend to continue to adopt our diversified land acquisition strategy to enrich and optimize our land reserves and support our business growth. As of June 30, 2020, we had 56 development projects in 21 cities, developed by our subsidiaries, joint ventures and associated companies with an aggregate land reserves of 5,403,607 sq.m., including (i) completed properties with a saleable and leasable GFA of 150,297 sq.m., (ii) properties under development with an aggregate planned GFA of 5,018,118 sq.m., and (iii) properties held for future development with an aggregate estimated GFA of 235,192 sq.m. We believe that such diversified land acquisition strategy will allow us to reinforce our business strategy of focusing on the Yangtze River Delta Region and strategically expanding into new markets and to accumulate strategically located land reserves.

Our Strengths

We believe the following competitive strengths are key to our many achievements and distinguish us from our competitors:

- we are an established residential property developer rooted in the Yangtze River Delta Region;
- we have established an excellent reputation and a strong brand in the cities where we have property development projects;
- we have established an efficient organizational structure with a well-established and streamlined process for our property development projects;
- we have a diversified land acquisition strategy; and
- we have a stable, experienced and motivated senior management team.

Our Strategies

Our goal is to become a major residential property developer in China. To achieve this target, we plan to implement the following strategies:

- focus on the Yangtze River Delta Region and strategically expand into other new markets, such as the Central Region in the PRC;
- continue to adopt our diversified land acquisition strategy to enrich our land reserves;
- continue to improve our product quality and design to position our products to meet the evolving market demand and create value for our customers;
- continue to improve our operational and cost efficiency; and
- attract, retain and motivate talented personnel through systemic training programs, proactive recruitment and competitive remuneration packages.

Recent Developments

Land Acquisition

Subsequent to June 30, 2020, we have acquired 13 parcels of land. The following table sets forth certain information regarding these projects:

City	Land parcel	Time of Acquisition	Type of Properties	Our equity interest	Site Area	Planned Total GFA	Attributable consideration
				(%)	(sq.m.)	(sq.m.)	(RMB in million)
Nanjing . . .	2020G17	July 2020	Residential	25	60,138	132,304	202.5
Huizhou . . .	ZKA-044-03	July 2020	Residential	51	30,507	91,521	157.7
Fuyang	Chengnan 2020-12 [#] Plot	July 2020	Residential	57	218,655	427,263	1,071.1
Huangshan . .	Old town 2014 Plot	July 2020	Residential and Commercial	50	46,780	70,170	322.8
Huan'an	Huai'an 2020-12 Plot	August 2020	Commercial	51	50,476	131,238	288.9
Yiwu	Niansanli street 2020-77 Plot	August 2020	Commercial	60	19,633	43,193	276.6
Yancheng . .	Yannan High-tech Zone 20201601 Plot	August 2020	Commercial	51	43,865	118,436	648.7

City	Land parcel	Time of Acquisition	Type of Properties	Our equity interest	Site Area	Planned Total GFA	Attributable consideration
				(%)	(sq.m.)	(sq.m.)	(RMB in million)
Hefei	Changfeng CF202014# Plot	September 2020	Residential	60	66,067	132,133	422.8
Chengdu	SLG-(07)-2020-008 Plot	September 2020	Residential	50	50,514	101,029	587.0
Nantong	Rugao R2020097 Plot	October 2020	Commercial	25	61,164	134,561	170.0
Nanjing	NO. Lishui 2020G39 Plot	October 2020	Commercial	40	28,483	62,663	152.0
Nantong	Hai'an 2020033001# Plot	October 2020	Commercial	35	61,381	147,314	177.0
Zengcheng	Shitan Nanbei street West A20095 Plot	November 2020	Commercial	60	196,435	589,305	2,298.0

A respiratory illness caused by a novel coronavirus (COVID-19) has spread across the world since early 2020. In response to the COVID-19 pandemic, the PRC government has imposed measures across the PRC including, but not limited to, travel restrictions and quarantine for travelers or returnees, whether infected or not, and an extended shutdown of certain business operations. The COVID-19 outbreak poses potential risks to our business operation and financial condition. As of the date of this offering memorandum, the COVID-19 pandemic did not have any material adverse impact on our financial position or results of operation, including the construction and pre-sale of property projects. See “Risk Factors — Risks Relating to the PRC — The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics and pandemics.”

Inclusion as one of the constituents for the MSCI China Small Cap Index

November 11, 2020, we were included as one of the constituents for the MSCI China Small Cap Index by MSCI Inc. The MSCI China Small Cap Index is designed to measure the performance of the small cap segment of the China market. Change relating to the inclusion will become effective on November 30, 2020.

General Information

We were incorporated in the Cayman Islands on October 8, 2018, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since July 15, 2020. Our principal place of business in Hong Kong is at Suites 3620-22, 36/F, Two Pacific Place, 88 Queensway, Hong Kong. Our head office in the PRC is at 6th Floor, Alibaba Shanghai Center, No. 1-4, Lane 1398, Shenchang Road, MinHang District, Shanghai, China. Our registered office is located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. Our website is www.glchina.group. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. See “Description of the Notes.” Terms used in this summary and not defined shall have the same meanings given to them in “Description of the Notes.”

Issuer	Ganglong China Property Group Limited (港龍中國地產集團有限公司) (the “Company”)
Notes Offered	US\$150,000,000 aggregate principal amount of 13.5% Senior Notes due 2021 (the “Notes”).
Issue Price	100% of the principal amount of the Notes.
Issue Date	December 2, 2020 (the “Original Issue Date”).
Maturity Date	December 1, 2021.
Interest	The Notes bear interest from and including December 2, 2020 at the rate of 13.5% per annum, payable in arrear.
Interest Payment Dates	June 2, 2021 and December 1, 2021.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations below under “Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”;• effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Subsidiary Guarantees and JV

Subsidiary Guarantee

Each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee (if any) given by a JV Subsidiary Guarantor may be released in certain circumstances. See “Description of the Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Ganglong Huayang Development Ltd. (港龍華揚發展有限公司) and Ganglong Development Group Limited (港龍發展集團有限公司). See “Description of the Notes.” All of the Subsidiary Guarantors are holding companies that do not have significant operations.

The Company will cause each of its future Restricted Subsidiary (other than any PRC Restricted Subsidiaries, any Exempted Subsidiaries or any Listed Subsidiaries) provide a guarantee of the Notes promptly and in any event within 30 days of becoming a Restricted Subsidiary.

Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “Other Non-Guarantor Subsidiaries”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets.

Ranking of Subsidiary Guarantees . . .

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

See “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Ranking of JV Subsidiary Guarantees

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

See “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Use of Proceeds

See the section entitled “*Use of Proceeds*.”

Optional Redemption

At any time prior to December 1, 2021, the Company will be entitled at its option to redeem the Notes in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time prior to December 1, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the proceeds from sales of certain kinds of capital stocks of the Company at a redemption price of 113.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Redemption for Taxation Reasons . . . Subject to certain exceptions and as more fully described in “Description of the Notes — Redemption for Taxation Reasons,” the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons.”

Repurchase of Notes Upon a Change of Control Upon the occurrence of a Change of Control, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. See “Description of the Notes — Repurchase of Notes Upon a Change of Control.”

Withholding Taxes, Additional Amount All payments of principal of, and premium (if any) on and interest on the Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a “Relevant Jurisdiction”), or any jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required. See “Description of the Notes — Additional Amounts.”

Covenants The Notes and the Indenture governing the Notes will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

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

Transfer Restrictions The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered and sold in offshore transactions in reliance on Regulation S under the Securities Act, and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”

Form, Denomination and Registration The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Book-Entry Only The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”

Delivery of the Notes	The Company expects to make delivery of the Notes free of payment in same-day funds on or about December 2, 2020, which the Company expects will be the fourth business day following the date of this offering memorandum referred to as “T+4” You should note that initial trading of the Notes may be affected by the “T+4” settlement. See “Plan of Distribution”.
Trustee	China Construction Bank (Asia) Corporation Limited.
Principal Paying Agent	China Construction Bank (Asia) Corporation Limited.
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited.
ISIN	XS2256723938.
Common Code	225672393.
Legal Entity Identifier	54930078H4OZ5PWZZ326.
Listing and trading	Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.
Governing Law	The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture will be governed by and will be constructed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see the section entitled “ <i>Risk Factors.</i> ”

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended December 31, 2017, 2018 and 2019 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such periods and as of such dates, as audited by PricewaterhouseCoopers, our independent certified public accountants, and included elsewhere in this offering memorandum. The summary consolidated income statement data for the six months ended June 30, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for the six months ended and as of June 30, 2020, as reviewed by PricewaterhouseCoopers, our independent certified public accountants in accordance with HKFRS. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of our management, include all adjustments considered necessary for a fair presentation of the financial position and results of operations for such periods. Results for interim periods are not indicative of results for the full year. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands, except percentages)						
			(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers	433,931	1,659,593	1,978,034	279,973	590,520	1,713,089	242,472
Cost of sales	(338,928)	(1,148,938)	(1,133,507)	(160,438)	(336,929)	(1,056,671)	(149,562)
Gross profit	95,003	510,655	844,527	119,535	253,591	656,418	92,910
Other income	27,367	69,172	77,245	10,933	32,593	11,107	1,572
Selling and marketing expenses . .	(18,252)	(60,965)	(212,441)	(30,069)	(51,128)	(160,838)	(22,765)
General and administrative expenses	(29,868)	(90,072)	(250,454)	(35,449)	(71,248)	(177,866)	(25,175)
Fair value gains on investment properties	19,500	6,700	15,600	2,208	9,700	—	—
Operating profit	93,750	435,490	474,477	67,158	173,508	328,821	46,542
Finance income	1,487	2,542	8,607	1,218	4,357	8,856	1,253
Finance costs	(5,804)	(37,174)	(78,623)	(11,128)	(19,866)	(44,043)	(6,234)
Finance costs, net	(4,317)	(34,632)	(70,016)	(9,910)	(15,509)	(35,187)	(4,981)
Share of results of joint ventures and associates	(16,750)	80,093	359,427	50,874	(5,100)	211,744	29,970
Profit before income tax	72,683	480,951	763,888	108,122	152,899	505,378	71,531
Income tax expenses	(39,852)	(148,993)	(293,824)	(41,588)	(83,240)	(184,318)	(26,089)
Profit and total comprehensive income for the years	<u>32,831</u>	<u>331,958</u>	<u>470,064</u>	<u>66,534</u>	<u>69,659</u>	<u>321,060</u>	<u>45,442</u>
Attributable to:							
Owners of the Company	31,356	354,831	668,041	94,556	94,057	472,309	66,850
Non-controlling interests	1,475	(22,873)	(197,977)	(28,022)	(24,398)	(151,249)	(21,408)
	<u>32,831</u>	<u>331,958</u>	<u>470,064</u>	<u>66,534</u>	<u>69,659</u>	<u>321,060</u>	<u>45,442</u>
Other Financial Data (Unaudited)							
EBITDA ⁽¹⁾	80,630	521,205	856,253	121,196	175,740	549,531	77,782
EBITDA margin ⁽²⁾	<u>18.6%</u>	<u>31.4%</u>	<u>43.3%</u>	<u>43.3%</u>	<u>29.8%</u>	<u>32.1%</u>	<u>32.1%</u>

Notes:

- (1) EBITDA for any period consists of net profit before finance costs, income tax expenses, depreciation of property, plant and equipment and right-of-use assets, amortization expenses and capitalized interest under cost of sales. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

Summary Consolidated Financial Position Data

	As of December 31,				As of June 30.	
	2017	2018	2019		2020	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(in thousands)	(unaudited)	(unaudited)	(unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	6,899	21,355	36,004	5,096	36,372	5,148
Investment properties	148,500	155,200	170,800	24,175	170,800	24,175
Investments accounted for using the equity method	209,811	714,005	1,103,432	156,181	1,315,176	186,151
Deferred income tax assets	26,776	19,358	151,192	21,400	236,358	33,454
	<u>391,986</u>	<u>909,918</u>	<u>1,461,428</u>	<u>206,852</u>	<u>1,758,706</u>	<u>248,928</u>
Current assets						
Properties under development	2,170,671	5,433,641	16,052,548	2,272,091	20,519,941	2,904,409
Completed properties held for sale	63,722	40,725	732,904	103,736	412,663	58,409
Trade and other receivables and prepayments	1,353,737	1,096,616	1,252,942	177,342	1,851,791	262,105
Amounts due from associates	268,550	319,636	124,709	17,651	128,389	18,172
Amounts due from joint ventures	759,806	569,664	350,268	49,577	292,735	41,434
Amount due from a Controlling Shareholder	3	500	—	—	—	—
Amounts due from non-controlling interests	6,600	102,043	198,443	28,088	685,812	97,070
Tax recoverable	54,730	126,028	206,629	29,246	135,061	19,117
Restricted cash	30,264	219,233	1,414,744	200,244	2,428,302	343,704
Pledged time deposits	—	—	45,920	6,500	101,273	14,334
Cash and cash equivalents	166,204	622,753	1,052,217	148,932	2,870,456	406,287
	<u>4,874,287</u>	<u>8,530,839</u>	<u>21,431,324</u>	<u>3,033,407</u>	<u>29,426,423</u>	<u>4,165,041</u>
Total assets	<u>5,266,273</u>	<u>9,440,757</u>	<u>22,892,752</u>	<u>3,240,259</u>	<u>31,185,129</u>	<u>4,413,969</u>
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	—	—	—	—	—	—
Reserves	318,271	575,490	1,243,531	176,010	1,715,840	242,862
	<u>318,271</u>	<u>575,490</u>	<u>1,243,531</u>	<u>176,010</u>	<u>1,715,840</u>	<u>242,862</u>
Non-controlling interests	3,112	125,683	409,823	58,007	519,380	73,513
Total equity	<u>321,383</u>	<u>701,173</u>	<u>1,653,354</u>	<u>234,017</u>	<u>2,235,220</u>	<u>316,375</u>
LIABILITIES						
Non-current liabilities						
Borrowings	135,300	551,800	1,709,099	241,907	4,883,705	691,244
Lease liabilities	279	3,502	3,782	535	2,229	315
Deferred income tax liabilities	39,075	60,791	94,699	13,404	136,497	19,320
	<u>174,654</u>	<u>616,093</u>	<u>1,807,580</u>	<u>255,846</u>	<u>5,022,431</u>	<u>710,879</u>
Current liabilities						
Trade payables, bills payables and other payables	1,138,423	1,523,305	2,463,085	348,626	3,098,244	438,528
Lease liabilities	672	5,313	8,188	1,159	8,740	1,237
Contract liabilities	2,526,642	3,653,783	8,416,172	1,191,232	13,992,561	1,980,518
Amounts due to associates	592,355	822,213	1,497,735	211,991	1,387,598	196,402
Amounts due to joint ventures	212,536	509,177	869,944	123,133	894,836	126,656
Amounts due to Controlling Shareholders	65,150	9,981	23,539	3,332	—	—
Amounts due to related parties	21,824	11,119	—	—	—	—
Amounts due to non-controlling interests	—	1,221,665	4,682,599	662,779	2,338,321	330,968
Tax payable	30,411	62,635	326,356	46,193	155,038	21,944
Borrowings	182,223	304,300	1,144,200	161,951	2,052,140	290,462
	<u>4,770,236</u>	<u>8,123,491</u>	<u>19,431,818</u>	<u>2,750,396</u>	<u>23,927,478</u>	<u>3,386,715</u>
Total liabilities	<u>4,944,890</u>	<u>8,739,584</u>	<u>21,239,398</u>	<u>3,006,242</u>	<u>28,949,909</u>	<u>4,097,594</u>
Total equity and liabilities	<u>5,266,273</u>	<u>9,440,757</u>	<u>22,892,752</u>	<u>3,240,259</u>	<u>31,185,129</u>	<u>4,413,969</u>

RISK FACTORS

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

RISK RELATING TO OUR BUSINESS

We may not have adequate financing to fund our future land acquisitions and 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 for project development in the foreseeable future. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we financed our property projects primarily through proceeds from pre-sales and sales of our properties, advances from Controlling Shareholders and non-controlling interest bank borrowings and other financing arrangements including trust financing.

Our ability to obtain adequate financing for land acquisitions or property development on terms commercially acceptable to us depends on a number of factors, many of which are beyond our control, including, among other things:

- our future results of operations, financial conditions and cash flows;
- the condition of the international and domestic financial markets and financing availability;
- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- the condition of the international and domestic financial markets and the availability;
- changes in monetary policies of the PRC Government with respect to bank interest rates and lending practices; and
- changes in the PRC policies regarding regulation and control of the property market.

We cannot assure you that the PRC government will not introduce measures or initiatives that limit our access to capital and methods we finance our development projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercial reasonable terms, or at all and if that happens, our business, financial condition, results of operation and prospects could be materially adversely affected.

Furthermore, we derive a majority of our revenue and cash flow from sales and pre-sales of properties developed by us. Some purchasers of our properties rely on mortgage to fund their purchases. An increase in interest rate may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchasers and affordability of properties. We cannot assure you that the PRC government and commercial banks will not increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchases. We cannot assure you that the commercial banks will approve potential property purchasers' application for mortgage loans in a timely manner, or at all. Our sale and pre-sale may be materially and adversely affected if mortgage financing becomes more costly or more difficult to obtain.

Our business and prospects are heavily dependent on the economic conditions in the PRC and may be adversely affected by the performance of the PRC property markets, particularly in Changzhou, various major cities in the Yangtze River Delta Region and other cities we operate and intend to operate.

As of June 30, 2020, we had a project portfolio of 56 projects in various stages of development in the PRC, which cover 21 cities in the PRC. Out of the 56 projects we have, 54 projects were located in the Yangtze River Delta Region. Our business is expected to be heavily dependent on the performance of the property markets, particularly in various major cities in Yangtze River Delta Region. These property markets may be affected by local, regional, national and global factors, including economics and financial developments, speculative activities in local market, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and the availability of capital. For example, the availability and price of land sold at public tender, auction or listing for sale processes depend on factors beyond our control, including government land policies and competing bidders. 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 the PRC. Furthermore, the rapid development in recent decades in major cities we plan to enter has resulted in a limited supply of undeveloped land in desirable locations and at attractive acquisition costs. As a result, our cost of acquiring land use right may rise further in the future, our business, financial condition, results of operations and prospect may be materially and adversely affected if we are unable to acquire suitable land parcels at a commercially acceptable price. Any adverse developments in the PRC property market generally or in the cities in which we have or expect to have operations could materially and adversely affect our business, financial condition, results of operations and prospects.

Demand for private residential property has been increasing rapidly in recent years, which has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop. Therefore, any over-supply of properties or any potential decline in the demand or prices for properties in the cities in which we operate or intend to operate could have a material and adverse impact on our cash flows, financial condition and results of operations.

We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices, which may affect our business, financial condition, results of operations and prospects.

We believe that the sustainable growth and success of our business significantly depend on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for the residential and commercial development. Our ability to acquire land depends on a variety of factors, some of which are beyond our control, such as overall economic conditions, availability of land parcels provided by the PRC government and competition for land parcels which are suitable for development. Furthermore, our profitability during 2017, 2018 and 2019 and the six months ended June 30, 2020 was partly attributable to the low land cost which was acquired prior to the hike of land prices in 2016. As land cost is one of the largest components of our cost of sales, any increase in our land cost resulting from any reason, such as shortages of supply or our inability to acquire suitable land parcels at commercially acceptable prices could have a material and adverse effect on our business, financial condition, result of operations and prospects.

We recorded negative operating cash flow for the year ended December 31, 2018 and 2019 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments on commercial reasonable terms, or at all.

We recorded negative cash flow from operating activities of approximately RMB626.3 million and RMB6,756.0 million (US\$956.2 million) for the year ended December 31, 2018 and 2019, respectively, primarily due to cash outflows associated with payment of land costs in relation to 16 land parcels acquired and development costs of a number of property projects during the year ended December 31, 2018 and 2019. Such cash outflows may not always be completely offset by various operating cash inflow sources, which primarily comprised of proceeds received from our customers in the pre-sales and sales of our properties. As a result, there could be a period during which we experience net cash outflow. Although we seek to effectively manage our working capital, we cannot assure you that we will 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. Please refer to “Financial Information — Liquidity and capital resources — Net cash generated from/(used in) operating activities” for further details.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we mainly relied on internal resources generated from our operations, including proceeds generated from pre-sales and sales of our properties, advances from Controlling Shareholders and non-controlling interests as well as external financings, which includes, primarily, bank borrowings and other financing arrangements including trust financing. Negative operating cash flow may require us to obtain sufficient additional financing to meet our financial 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. 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. Moreover, the level of our indebtedness and the amount of our interest payments could further limit our ability to obtain the necessary financing or favourable terms for the financing to fund our future capital expenditures and working capital. Such limitations may reduce our competitiveness but increase our exposure and sensitivity to adverse economic and industry conditions, which could materially adversely affect our financial condition and results of operations.

We generate revenue and cash inflow principally from the sales of properties and our results of operations and cash flow largely depend on a number of factors including the schedule of our property development and the timing of property sales and may therefore vary significantly from period to period.

Our business model is to sell certain properties for return of capital to fund our business, operations and expansion plans. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue generated from the sales of properties amounted to RMB433.9 million, RMB1,659.6 million, RMB1,978.0 million (US\$280.0 million), RMB590.5 million and RMB1,713.1 million (US\$242.5 million), respectively. Our results of operations may fluctuate due to factors such as the schedule of our property development projects and the timing of property sales.

We generally recognize revenue from the sale of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the completion of property construction. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between our pre-sales and completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA, may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs.

Moreover, completion of our development projects requires substantial capital expenditures for, among other things, land acquisition and construction. The construction work for our development projects may take over a year or longer before they could generate positive net cash flow through selling. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules may affect whether our developments are completed within the planned budget. Whether our development properties can be completed within the planned budgets depends on a number of factors, including our ability to finance construction and the associated financing costs.

Fluctuations in our operating results and cash flow may also be caused by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, changes in market conditions and consumer sentiment, and changes in market demand for our properties. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicity, combined with the lead time required for the completion of projects and the sales of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

Our results of operations, financial condition and prospects may be adversely affected by impairment loss for properties under development and completed properties held for sale.

The real estate market volatility may subject us to risks in connection with possible impairment loss for properties under development and completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment loss may arise when the carrying value of a property exceeds its recoverable amount. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we recorded impairment loss recognized for completed properties held for sale in the amount of RMB2.2 million, RMB1.4 million, nil, nil and nil, respectively but did not record any impairment losses for properties under development during the same period. We cannot assure you that we would not incur, or would only incur similar level of, impairment losses, in the future. If we incur such impairment losses, our results of operations, financial condition and prospects may be adversely affected.

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 management operations.

The property development industry in the PRC is heavily regulated and property developers must abide by various laws and regulations, including rules promulgated by national and local governments to enforce these laws and regulations. Like other property developers in China, we must apply to the relevant government authorities to obtain (and renew those relating to on-going operations) various licenses, permits, certificates and approval to engage in property development enterprise, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sales permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. Some subsidiaries once failed to obtain the necessary certificates and permits in a timely manner according to the relevant laws and regulations. We cannot assure you 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 property development 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. In the event that we fail to obtain, renew or abide by or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property development projects, we may not be able to continue with our development plans, and our business, financial condition and results of operations may be materially adversely affected.

Some subsidiaries are in the process of obtaining or renewing their qualification certificates. Although subsidiaries whose qualification certificates have lapsed are in the process of obtaining new qualification certificates, there can be no assurance that such subsidiaries will be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of the subsidiaries do not obtain or renew the necessary qualification certificates in a timely manner, or at all, the Company's business, results of operations and financial condition may be materially and adversely affected.

We are subject to legal and contractual risks related to pre-sales, which could have an adverse effect on our business, financial condition and result of operations.

Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sale proceeds may only be used to finance the related development. We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. However, there can be no assurance that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and if sufficient alternative funding are not available under commercial acceptable terms, or at all, our cash flow and prospects, and business, results of operations and financial condition could be materially and adversely affected.

Moreover, we make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete delivery of a pre-sold property on time, we may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for compensation. A customer may also terminate his or her contract with us and/or bring claims for compensation for certain other contractual disputes, including, for example, if the GFA of the relevant unit, as set out in the individual building ownership certificate, deviates by more than 3.0% from the GFA of that unit as set out in the contract; if the interior decoration of the relevant unit is inferior to what is set out in the contract; or if the customer fails to receive the individual property ownership certificate within a statutory period due to our fault. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

We may be liable to our customers for damages if individual property ownership certificates are not delivered to our customers in a timely manner due to our fault.

Property developers in the PRC typically assist purchasers of property to obtain the relevant individual property ownership certificates within a time frame set out in the relevant property sale and purchase agreement, or in the absence of such time frame, within 90 days of delivery of the property if the construction of the property purchased has not been completed, or within 90 days of execution of the agreement if the construction of the property purchased has been completed. Property developers, including us, generally elect to specify the deadline for the delivery in the property sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties. We are then required to submit after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. There can be no assurance that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

The property development business is subject to claims under statutory quality warranties, and if a number of claims are brought against us under our warranties, our reputation, business, results of operation and financial condition may be materially and adversely affected.

Under 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》) enacted by the State Council on July 20, 1998 and amended on January 8, 2011, March 19, 2018, March 24, 2019 and March 27, 2020 and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which went into effect on June 1, 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from third-party contractors with respect to our property development projects. If a large number of claims were brought against us under our warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by us to cover our payment obligations under the quality warranties was not sufficient, we could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and adversely affect our business, financial condition and results of operations.

We may be subject to fines or forfeit land to the PRC Government if we fail to pay land grant premium or fail to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts or subject to fines, additional land costs and/or corrective actions if the constructed total GFA of our projects exceed permitted total GFA.

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land costs, resettlement and demolition costs and other fees, the designated use of the land, the allocation of certain portion of development area for social welfare housing or resettlement housing and the time for commencement and completion of the property development, government authorities may issue a warning, impose a penalty and/or order us to forfeit the land. Specifically, under current PRC laws, if we fail to pay any outstanding land grant premium by the stipulated deadlines, we may be subject to late payment penalties or the repossession of the land by the government. If we fail to commence development within one year of the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee on the land equal to 20% of the land costs. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may confiscate our land use rights without compensation, unless the delay in the development is caused by government action or is due to a force majeure. Moreover, if a property developer commences development of the property in accordance with the timeframe stipulated in the land grant contract but, suspends for more than one year and falls under either of the following two situations (i) the developed land area is less than one-third of the total land area, or (ii) the total invested capital is less than one fourth of the total planned investment in the project, the land may be treated as idle land and will be subject to the risk of forfeiture. And if a property developer fails to complete the property development in accordance with the land grant contract, the property developer should take responsibility for breach of the land grant contract.

Considering that some subsidiaries are unable to commence and complete development within the term of the land grant contracts, there can be no assurance that circumstances leading to reclamation or significant delays in development schedules or any liabilities for breach of contracts will not arise in the future.

Furthermore, government grants of land use rights for a parcel of land specify in the land grant contract the permitted total GFA that the developer may develop on the land. The total GFA is also set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land costs and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a completion certificate (工程竣工驗收備案表) can be issued to the property

developer. Until the completion certificate is issued, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. The methodology for calculating the additional land costs is generally the same as the original land grant contract. If issues related to excess GFA cause delays in the delivery of our properties, we may also incur liability to purchasers under our sales and purchase agreements. There can be no assurance that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA. Any of these factors may adversely affect our business.

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

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the properties. Pursuant to the Notice of the State Administration of Taxation on the Relevant Issues Concerning the Settlement Management of Land Value-added Tax on Real Estate Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) issued by the SAT, LAT obligations must be settled with the relevant tax bureaus within a specified frame after the completion of a property project.

We make provisions for LAT by reference to our sales recognized and in accordance with our estimates of the LAT which will be payable under relevant PRC laws and regulations. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we recorded LAT expenses of RMB11.1 million, RMB33.1 million, RMB184.4 million (US\$26.1 million), RMB37.5 million and RMB68.3 million (US\$9.7 million), respectively. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially provided for. Any such differences may impact our profit after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. Our financial condition may be adversely and materially impacted if our LAT liabilities as calculated by the relevant tax authorities are higher than our provisions.

Furthermore, certain notices issued by the PRC government relating to the settlement of LAT allow provincial tax authorities to formulate their own implementation rules according to the local situation. If the implementation rules promulgated in the cities or provinces in which our projects are located require us to settle all unpaid LAT at the same time, or impose other additional conditions, our business, results of operations and financial condition may be materially and adversely affected.

We may be adversely affected by material issues that affect our relationships or business ventures with partners of our joint ventures and associated companies.

We have entered into joint ventures and established associated companies with third parties and may continue to do so in the future. The performance of such joint ventures and associated companies has affected, and will continue to affect, our results of operations and financial position. Generally, we do not expect to record gains from such joint ventures and associated companies until they start to generate revenue by delivering properties they develop. For the year ended December 31, 2017 and the six months ended June 30, 2019, our share of loss on joint ventures and associates was RMB16.8 million and RMB5.1 million, respectively. For the years ended December 31, 2018 and 2019, and the six months ended June 30, 2020, our share of profits on joint ventures and associates was RMB80.1 million, RMB359.4 million (US\$50.9 million) and RMB211.7 million, respectively.

Our investments in joint ventures and associated companies increased significantly from 2017 to June 30, 2020. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our investments in joint ventures

amounted to RMB155.1 million, RMB372.2 million, RMB520.3 million (US\$73.6 million) and RMB735.6 million (US\$104.1 million), respectively. Our investments in associated companies amounted to RMB54.7 million, RMB341.8 million, RMB583.1 million (US\$82.5 million) and RMB579.6 million (US\$82.0 million), respectively as of the same dates.

The success of a joint venture or an associated company 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 joint ventures and associated companies. In addition, in accordance with PRC law, in our joint venture agreements and the articles of association of our joint ventures and associated companies, there are certain matters require the consent of all parties to the joint ventures and associated companies. Therefore, the operation of these joint ventures and associated companies involve a number of risks, including:

- we may not be able to pass certain important board resolutions requiring or resolutions of shareholders' meeting unanimous consent of all of the directors or shareholders of our joint ventures and/or associated companies if there is a disagreement between us and our joint venture and/or associated company partners;
- we may disagree with our joint venture and/or associated company partners in connection with the scope or performance of our respective obligations under the joint venture and associated arrangements;
- our joint venture and/or associated company partners may be unable or unwilling to perform their obligations under the arrangements with us, including their obligation 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 or philosophies that are inconsistent with ours;
- our partners may take action contrary to our requests or instructions or contrary to our 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 joint venture and associated company arrangements with us.

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

Furthermore, the ability of our joint ventures and associated companies 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 joint ventures or associated companies 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 could in turn restrict our ability to fund our business operations, to service our indebtedness and to pay dividends to our Shareholders. In addition, their declaration of dividends may be at the absolute discretion of the boards of our joint ventures and associated companies.

Our investment in joint ventures and associated companies are subject to liquidity risk. Our investments in joint ventures and associated companies are not as liquid as other investment products as there is no return in our investment until dividends are received even if our joint ventures and associated companies reported

profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the joint ventures and associated companies in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interests rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the joint ventures or associated companies for the price or on the terms set by us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquid nature of our investment in joint ventures or associated companies may significantly limit our ability to respond to adverse changes in the performance of our joint ventures or associated companies. In addition, if there is no share of interests or dividends from our joint ventures or associated companies, we will also be subject to liquidity risk and our financial condition or result of operations could be materially affected.

Also, as we expect to continue to invest in joint ventures and associated companies 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 joint ventures or associated companies, which could materially and adversely affect our ability to conduct our business.

We may be unable to successfully manage the growth of our business and our historical results of operations may not be representative of our future performance and certain components are subject to uncertainties and fluctuation when preparing our financial statements.

Our revenue increased from RMB433.9 million in 2017 to RMB1,659.6 million in 2018, and further increased to RMB1,978.0 million (US\$280.0 million) in 2019. Our revenue increased from RMB590.5 million in the six months ended June 30, 2019 to RMB1,713.1 million (US\$242.5 million) in the six months ended June 30, 2020. There can be no assurance that our revenue will grow in the future. We have faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and business opportunities.

We have a set of policies, controls and procedures to manage our business. However, as our business continues to expand, there can be no assurance that these policies, controls and procedures will prove as effective as we hope. As a result, our past results of operations may not be indicative of our future performance.

As such, our financial information from June 30, 2020 onwards may not be directly comparable to our historical financial information in 2017, 2018, 2019 and the six months ended June 30, 2020.

Our growth and expansion into new cities, regions and new geographical markets present certain risks and uncertainties.

In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions in the PRC with the potential for growth and where we have no existing operations. Our historical focus was primarily on the development of residential projects in the Yangtze River Delta Region, namely in Jiangsu and Zhejiang provinces at our inception. As of June 30, 2020, we had 56 property projects, developed by our subsidiaries, joint ventures and associated companies and are under various stages of development with an aggregate GFA attributable to us of 5,403,607 sq.m., of which, 3,680,736 sq.m. was located in the Jiangsu, and 1,126,107 sq.m. was located in Zhejiang. In 2017, 2018, 2019 and the six months ended June 30, 2020, all of our revenue were generated from property projects in Jiangsu Province. As we intend to continue to expand our operations into additional major cities in the Yangtze River Delta Region and expand into other new markets outside of the region, such as the Central Region in the PRC in the future, we cannot assure you that our property projects in such other additional major cities and new markets would be profitable at similar in level to our projects in Jiangsu Province or profitable at all.

Expansion into new geographical locations involves uncertainties and challenges as we may be less familiar with 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 entail competition with developers who have a better-established local presence or greater access to local labors, expertise and knowledge than we do. Furthermore, the construction, market and tax related regulations in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments.

As we may face challenges not previously encountered, we may fail to recognize or properly assess risks or 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 match the behaviors or expectations of the residents in the properties we manage in such cities.

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

The locations and property type of our property projects have a direct impact on their selling prices or ASP per sq.m., our sales revenue and our gross profit margins.

According to the C&W, commodity residential properties in Shanghai and Hangzhou generally commanded a relatively high average price per sq.m., while those in Liupanshui generally commanded a relatively low average price per sq.m. Among Shanghai, Hangzhou and Liupanshui, properties in Shanghai had the highest ASP per sq.m. in 2018. While the selling prices or ASP per sq.m. of our property projects vary depending on their locations, our sales revenue and therefore our gross profit margin may vary depending on the mix in geographical locations of our property projects being delivered for a particular period. Further, different characteristics of our property projects also command different average selling price which entails different gross profit margin. For instance, we recorded relatively higher gross profit margin of 42.7% for the December 31, 2019 attributable to the sales of properties in Hua Qiao Xin Cheng (華僑新城) and Jing Shan Xiu Shui (景山秀水) that comprised townhouses with fine decoration. For details, see “Financial Information — Description of Certain Major Components of Our Consolidated Statements of Comprehensive Income — Gross profit and gross profit margin” in this offering memorandum. Therefore, our gross profit margins may fluctuate in the foreseeable future if expected sales contributed by our property projects in different locations and of different property type.

In addition, there is no assurance that our selling prices or ASP per sq.m., as a whole, will always be consistent with the industry trends in the cities we operate. Our selling prices or ASP per sq.m. might deviate from the industry trends as a result of the changes in mix of property series and products types we launch sale and pre-sale in a particular period and the timing of the completion of properties and therefore, making it difficult to predict the future trends.

Fluctuations in the labor costs and the price of construction materials could adversely affect our construction costs and the construction fees charged by our construction contractors, which could adversely affect our business and financial performance.

The cost of construction materials, such as steel and cement, and labor costs, are subject to volatility. The supply and cost of building materials are affected by macroeconomics conditions, production quantity and cost of such materials. As most of our major construction contracts are fixed unit price contracts, the risk of fluctuations in construction material and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent as we outsource our construction work to them as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts.

In addition, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may require us to renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the costs of construction materials and labor increase subsequent to the pre-sales. If any of these occur, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by our amounts due from our joint ventures, associated companies and non-controlling interests.

We recorded amounts due from our joint venture and associated companies amounted to approximately RMB1,028.4 million, RMB889.3 million, RMB475.0 million (US\$67.2 million) and RMB421.1 million (US\$59.6 million) as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. We make periodic assessments on the amounts due from our joint ventures and associated companies and investments in joint venture and associated companies based on their financial position, credit history and other factors. However, the risk of recoverability is inherent in our outstanding balances for such amounts, as the ability of the joint ventures and associated companies and non-controlling interests to repay us depends on a number of factors, some of which are beyond our control. In the event that we could not recover the outstanding balances from our joint ventures, associated companies and non-controlling interests in full or in timely manner, there could be a material adverse effect on our profitability, cash flow and financial position.

Our results of operations, financial condition and prospects may be adversely affected by changes in fair value of our investment properties and the possible impairment losses for such investments.

We are required to reassess the fair value of our properties at the end of each reporting period. Under HKFRSs, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income for the period in which they arise. Our properties were valued by the C&W, an independent property valuer, as of December 31, 2017, 2018 and 2019, on an open market and existing use basis, which reflected market conditions on such valuation date. Based on such valuation, we recognized the aggregate fair value of our properties and relevant deferred tax on our consolidated statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on our consolidated statements of comprehensive income. For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our fair value gains on investment properties was RMB19.5 million, RMB6.7 million, RMB15.6 million (US\$2.2 million), RMB9.7 million and nil, respectively. We recorded net profit of RMB32.8 million, RMB332.0 million, RMB470.1 million (US\$66.5 million), RMB69.7 million and RMB321.1 million (US\$45.4 million) for the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, respectively. For the three years ended December 31, 2019, we would have recorded less net profit without including fair value gains on investment properties in the same periods.

Despite their impact on the reported profit, such fair value gains or losses do not change our cash position as long as the relevant properties are held by us. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our properties or that the fair value of our investment properties will not decrease in the future. Any significant decreases in the fair value of our properties or any significant decreases in the amount we could receive in actual sales of the properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operation.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, it may also change due to the uncertainty of accounting estimates in the valuation of investment properties with the use of significant unobservable inputs in the valuation techniques, which may materially and adversely affect our profitability.

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under HKFRSs, gains or losses arising from changes in the fair value of our investment properties are

included in our consolidated statements of comprehensive income for the period in which they arise. Our investment properties are appraised by an independent property valuer at each of the relevant reporting date, and are measured at fair value with significant unobservable inputs used in the valuation techniques. We recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and changes in fair value of investment properties and the relevant deferred income tax expenses on our consolidated statements of comprehensive income.

Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. The amount of revaluation adjustment has been, and will continue to be, subject to market fluctuations and the changes of significant unobservable inputs in the valuation techniques. As a result, we cannot assure you that changes in the market conditions or valuation techniques will continue to create fair value gains on our investment properties or that the fair value of our investment properties may materially differ from the amounts it would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we receive in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

We have substantial indebtedness and may incur additional indebtedness in the future and are subject to (i) changes in interest rates, (ii) potential risks in certain covenants or restrictions under our bank borrowings, trust and other financing arrangements or (iii) changes or tightening in the regulations relating to trust loans by the PRC Government, may adversely affect our business, financial condition and results of operations.

We currently have, and will continue to require, a substantial amount of indebtedness. Our total borrowings, including bank loans and other borrowings, as of December 31, 2017, 2018, 2019 and June 30, 2020 were RMB317.5 million, RMB856.1 million, RMB2,853.3 million (US\$403.9 million) and RMB6,935.8 million (US\$981.7 million), respectively, and our gearing ratio was 98.8%, 122.1%, 172.6% and 310.3%, respectively, as of the same dates. Our indebtedness and gearing could have significant implications, including, among others:

- increasing our vulnerability to adverse general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow for our business expansion, working capital and other general corporate purposes;
- limiting our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors with lower levels of indebtedness;
- limiting our ability to borrow additional funds; and
- increasing our cost of additional financing.

In the future, we may from time to time require substantial additional indebtedness and contingent liabilities. Our ability to generate sufficient cash to satisfy our existing and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debt, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying property project development, disposing of assets, restructuring or refinancing indebtedness or seeking equity capital. These strategies may not be

implemented on satisfactory terms, or at all, and, even when implemented, may result in an adverse effect on our business, results of operations and financial condition.

Also, we have incurred and are expected to continue to incur a significant amount of interest expense relating to our borrowings from banks. Accordingly, changes in interest rates have affected and will continue to affect our financing costs. Because a majority of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. As of December 31, 2017 and 2018 and 2019 and June 30, 2020, bank and other borrowings of us which were bearing at floating rates amounted to RMB120.0 million, RMB153.0 million, RMB2,133.2 million (US\$301.9 million) and RMB4,632.8 million (US\$655.7 million), respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we recorded finance costs of RMB5.8 million, RMB37.2 million, RMB78.6 million (US\$11.1 million), RMB19.9 million and RMB44.0 million (US\$6.2 million), respectively. Future increases in the PBOC benchmark interest rate may lead to higher lending rates, which may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects.

We cannot assure that we will always be able to obtain the required bank financing in the future or that we would be able to arrange for re-financing when our bank borrowings become due. If we are unable to obtain or renew our bank facilities, our results of operation and financial condition may be materially and adversely affected.

Furthermore, certain of our financing arrangements are subjected to a number of restrictive and/or negative covenants which include, among other things, limitations on our ability to incur additional indebtedness, create new charges, restrictions on the use of proceeds, distribute dividends and requirements to provide notice or obtain consent for certain significant corporate events. Also, borrowings provided under certain loan agreement between our operating subsidiaries and financial institutions are typically not allowed to be used for purposes other than the specific project development as provided in the agreement.

Our loan agreements with certain banks may contain cross-default clauses. If any cross-default occurs, such banks are entitled under these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness. We may be required to seek the consent of and/or to notify the banks in order to carry out any mergers, spin-offs, reductions in registered share capital, material asset transfers, liquidations, changes in shareholding or the establishment of any joint ventures. Furthermore, as long as such loans are outstanding, some of our relevant operating subsidiaries may not be able to provide guarantees to any third parties. In addition, our trust and other financing arrangements may have covenants that, among other things, the project company is required to notify and obtain written consent from the trust financing companies and other financing institutions in advance if during the term of the trust financing, it is involved in any operational decisions which would lead to any material changes to the trust and other financing arrangement's interests, or if we need to provide guarantees for other external loans.

We cannot assure you that we will be able to abide by all these restrictive covenants in the loan agreements we entered into or obtain lender's consent in a timely manner or at all in the future. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans, in which case our business, financial condition and results of operations may be adversely affected.

As of June 30, 2020, we had trust financing arrangements of RMB1,533.7 million (US\$217.1 million), which accounted for 22.1% of our total borrowings. Our trust financing arrangements are generally secured by, such as, our equity interests in the PRC subsidiaries or lien of land use rights. If we default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these PRC subsidiaries, our proportionate share of the asset value of the relevant land use rights.

There are also uncertainties regarding trust financing. The operation of trust financing companies in the PRC is primarily regulated by the CBRC pursuant to the Rules Governing Trust Financing Companies (《信託公司管理辦法》), effected on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBRC and are required to comply with the relevant notices and regulations promulgated by the CBRC. There can be no assurance that the PRC Government will not implement additional or more stringent requirements with regard to trust financing companies. This could result in a reduction in our financing options and/or an increase in the cost of financing our properties, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our deferred income tax assets amounted to RMB26.8 million, RMB19.4 million, RMB151.2 million (US\$21.4 million) and RMB236.4 million (US\$33.5 million), respectively, which mainly represented the temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilization may be different. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred income tax assets. Furthermore, we cannot predict any future movements in our deferred income tax assets and to what extent they may affect our financial position in the future. Any of these events may have a material adverse effect on our business, financial condition and results of operation.

We rely on third-party contractors and any failure by these contractors to provide satisfactory services, our reputation, business, financial condition and results of operations may be adversely affected.

We engage third parties to carry out various services relating to our property development projects, including project design, construction, equipment installation, elevator installation and landscaping. For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, the aggregate costs we incurred in respect of services provided by third-party contractors amounted to RMB844.4 million, RMB840.6 million, RMB2,550.2 million (US\$361.0 million), RMB894.0 million and RMB2,212.8 million (US\$313.2 million) respectively. We may select third-party contractors through a tender process and we endeavor to engage companies with a reputation and track record, performance reliability and adequate financial resources. Our third-party contractors may fail to provide satisfactory services at the level of quality or within the time required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to the financial or other difficulties of our contractors. If the performance of any third-party contractor is unsatisfactory, we may need to replace such contractor or take other remedial actions, which could increase the costs and adversely affect the development schedules of our projects and materially and adversely affect our reputation, credibility, financial condition and business operations. Moreover, we cannot assure you that our employees will be able to consistently apply our quality standards in carrying out quality control, and to detect all defects in the services rendered by third-party service providers or contractors. In addition, as we enter into new geographical areas in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other requirements in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors, 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 above events may have a material adverse effect on our business, financial condition, results of operations and prospects.

We provide guarantees over mortgage loans given by banks to purchasers of our properties, which may negatively impact our financial position if we are required to honor the guarantees.

We have arranged bank financing for certain purchasers of our properties and provided guarantees to secure obligation of such purchasers for repayments. Such guarantees will generally terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by purchasers of properties.

In line with industry practice, we do not conduct independent credit reviews of our customers but rely on the credit reviews conducted by the mortgagee banks. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding guarantees over mortgage loans of our customers amounted to RMB885.7 million, RMB1,615.7 million, RMB3,294.0 million (US\$466.2 million) and RMB5,495.4 million (US\$777.8 million), respectively. Please refer to “Business — Payment Arrangements” in this offering memorandum for further information.

In the event of a significant depreciation in the market value of the underlying properties, the purchasers may refuse to continue paying the mortgages and the banks may require us to repurchase the underlying properties in order to discharge our obligations as guarantor. We may resell the properties but may not be able to achieve a sale price sufficient to cover the shortfall between the market value of the properties and the amounts guaranteed by us. This could have a material adverse effect on our business, results of operations and financial position. We cannot assure you that defaults will not occur in the future or that we will not suffer any loss as a result of such defaults. In addition, if a significant number of customers default on their mortgages and our guarantees are called upon, our business, results of operations and financial position could be materially and adversely affected.

The illiquidity of investment properties and the lack of alternative uses of investment properties may significantly limit our ability to respond to adverse changes in the condition of our investment properties.

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. Moreover we may also need to incur capital expenditure to manage and maintain our properties or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all. In addition, if we sell an investment property during the term of that property’s management agreement or tenancy agreement, we may have to pay termination fees to our retail tenants.

Furthermore, the aging of investment properties, changes in economic and financial conditions or changes in the competitive landscape in the PRC property market may adversely affect the amount of rentals and revenue we generate from, as well as the fair value of, our investment properties. However, investment properties may not be readily converted to alternative uses, as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation reconfiguration and refurbishment. We cannot assure you that we will possess the necessary approvals and sufficient fund to carry out the required conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could affect our ability to compete against our competitors and our results of operations.

Certain portions of our property development projects and investment properties are designated as civil air defense properties.

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. According to 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, as amended on August 27, 2009, and the 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 Office of Civil Air Defense of the People's Republic of China on November 1, 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 in times of peace and make profit therefrom.

As of June 30, 2020, we had 21 completed civil air defense areas within our completed projects with an aggregate GFA of 159,238 sq.m., which are primarily used or to be used for car parks, representing an insignificant portion of our property portfolio. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not be able to use such area as car parks. In addition, we cannot assure you that such laws and regulations will not be amended in the future, which may make it more burdensome for us to comply with and increase our compliance cost.

Our success depends on the continued services of our senior management team and other qualified employees.

Our continued success and growth depend on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our Directors and members of senior management are essential to our success and future growth. 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. We may not be able to successfully attract, assimilate or retain all of 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. In addition, if any Director or any member of our senior management or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and other key professionals and staff members. Due to the intense competition for management and other personnel in the PRC property sector, any failure to recruit and retain the necessary management personnel and other qualified employees could have a material adverse impact on our business prospects.

Our business is heavily dependent on the market recognition of our “港龍” “Ganglong” brand name and reputation of our Directors, senior management team and other key personnel. 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 “港龍” “Ganglong” brand name and reputation of our Directors, senior management team and other key personnel to attract potential customers. Any negative incident or negative publicity concerning us or our properties or our Directors, senior management team and other key personnel may materially and adversely affect our reputation, financial position and business, results of operations.

We believe that we have built an excellent reputation in our markets for the quality of our various product series. We have also placed great importance on the continuous enhancement of our brand name and the increase in our brand recognition. Any negative incident or negative publicity concerning us or our properties may materially and adversely affect our reputation, business, financial condition and results of operations. Brand value, which is based largely on consumer perceptions with a variety of subjective qualities, can be damaged even by isolated business incidents that damage 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 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 condition and results of operations.

Our brand strategy also depends on our ability to use, develop and protect our intellectual properties, such as our trademarks. As a result, we could be subject to trademark disputes. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties and to pay ongoing royalties, or subject us to injunctions prohibiting the use of such name and/or logo. In addition, any unauthorized use or inappropriate use of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. If we are unable to preserve, sustain or strengthen our reputation and brand recognition or our reputation is damaged, we may not be able to maintain our business reputation and pace of development, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to fines or penalties if we fail to comply with any applicable laws, rules or regulations.

Historically, we experienced certain non-compliance incidents. In 2017, 2018, 2019 and the six months ended June 30, 2020, amongst other things, Ganglong Huayang changed the use of RMB converted from foreign currency-denominated capital without approval. On November 2, 2018, Changzhou division of the SAFE issued a decision letter to Ganglong Huayang with respect to the administrative penalty with a fine of RMB1.28 million imposed for the said non-compliance. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. As of the date of this offering memorandum, we had paid all the penalties. There is no assurance that our internal control measures will be effective and there will not be any non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

Compliance with PRC laws and regulations regarding health and 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 health and the environment and preservation of antiquities and monuments which imposes. Compliance with such laws and regulations may result in delays in our construction work, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. Please refer to “Business — Environmental matters” in this offering memorandum for further details. As required by PRC laws and regulations, property projects in environmentally sensitive regions or areas 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 the record. If we fail to meet such requirements, the local authorities may impose a penalty up to RMB50,000.

Some subsidiaries once failed to comply with the relevant environmental laws and regulations, and were punished by the competent authorities for (i) discharging water pollutants beyond the discharge standard of water pollutants; (ii) failing to go through the administrative permission procedures of soil and water conservation plan; (iii) disposing of construction waste without authorization and so on.

We cannot assure you that we will be able to comply with all requirements with respect to environmental protection. In the event of a termination of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

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

Pursuant to the Administrative Measures for Commodity Housing Leasing (商品房屋租賃管理辦法), parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the June 30, 2020, we leased 203 properties mainly for our staff dormitory and office premises and failed to register 181 lease agreements as the tenant. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations. However, there can be no assurance that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, we may be required by relevant government authorities to file the lease agreements for registration and may be 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 occurrence of any of the above conflicts or disputes or the imposition of the above fines could require us to make additional efforts and/or incur additional 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. There can be no assurance that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

Certain of the subsidiaries may not have contributed the required social security insurance and housing provident funds.

Under applicable PRC laws and regulations, PRC subsidiaries of the Company are required to register with the relevant authorities in respect of housing provident fund and social security insurance and to contribute housing provident funds and social security insurance for their employees.

Certain of the Company's PRC subsidiaries might not have registered with the relevant authorities on a timely basis and might not have contributed the required housing provident funds and social security insurance for their employees. According to the Regulations on Management of Housing Provident Fund, such PRC subsidiaries may be required to pay for the unpaid housing provident fund contributions within a prescribed period of time, and such PRC subsidiaries may be subject to a fine in the amount of between RMB10,000 and RMB50,000 for not registering with the relevant authorities on a timely basis. For social security insurance, according to the relevant PRC laws and regulations, if the Company's PRC subsidiaries fails to register the social insurance within a prescribed period of time, a fine of one to three times the amount of the social insurance premiums may be imposed. And if the Company's PRC subsidiaries are ordered to pay the social security insurance but fails to do so as required by the local social security authorities, a fine calculated at a rate of 0.05 per cent per day on the delinquent payments from the due date may be imposed on such PRC subsidiaries.

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

We do not maintain any insurance policies for our property development projects, and we do not maintain property insurance specifically for our properties held for investment. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements. Furthermore, 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 damage 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 suffered 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 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. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we were not involved in any lawsuit that have a material adverse effect on our business, financial condition and results of operations. However, 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.

We may not be able to timely prevent or detect actions by our employees or agents which violate applicable anti-corruption laws and regulations.

Bribery and other misconduct by our employees or agents may be difficult to prevent or to detect on a timely basis, or at all. Although we have put in place relevant internal control measures aimed at preventing our employees and agents from engaging in conduct which would violate applicable anti-corruption laws and regulations, there can be no assurance that we will be able to prevent or detect such misconduct. Such misconduct by our employees or agents could subject us to financial losses and harm its business and operations. In addition to potential financial losses, such misconduct could subject us to third party claims and regulatory investigations. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to implement sufficiently and effectively our risk management and internal control policies and procedures, our business and prospects may be materially and adversely affected.

We continually enhance our risk management and internal control policies and systems as part of a continuous effort to improve our risk management capabilities and enhance our internal controls. However, there can be no assurance that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we may anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. Moreover, it takes time for our employees to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them. If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or at all, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including our ability to maintain an effective internal control system), our business, financial condition, results of operations and reputation may be materially and adversely affected.

False advertising 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 the PRC, we are subject to a variety of laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. If any of our advertisements are considered to be untruthful, we will be subject to penalties and will be required to

cease publishing the advertisements concerned and eliminate adverse effects by publishing notice in the same media or in media with equivalent significance to correct the previous false advertisements and clarify the truth. In addition, any false advertising may cast doubt on our other disclosure, advertisements, filings and publications; may deteriorate our brand name and reputation and consequently 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 or publicity relating to us or the real estate market in which we operate or intend to operate.

We may be subject to or associated with negative publicity, including those on the Internet, with respect to our corporate affairs and conduct related to our personnel, the real estate market we operate or intend to operate. We may also be subject to negative reports or criticisms by various media. 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 truth or merit, may have an impact on our brand and reputation and, consequently, may undermine the confidence of our customers and investors in us, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR INDUSTRY

Our operations are subject to extensive government policies and regulations and we are particularly susceptible to adverse changes in policies relating to the PRC property industry 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 PRC property sector. The PRC Government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures, such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. Since 2004, the PRC and local governments introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land-related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developer that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio lower than certain prescribed percentage;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.
- controlling the supply of residential property sales by adopting lots drawing policy in certain cities;
- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- raising the minimum percentage of down payment of the purchase price of the residential property of a family;

- restricting purchasers from acquiring second and more residential properties and imposing property purchase restrictions on non-local residents who cannot provide any proof of local tax or social security payments for more than a specified time period in certain cities; and
- restricting the availability of individual housing loans in the property market to individuals and their family members with more than one residential property and raising interest rates of such loans.

These and other measures, including additional requirements for pre-sales and restricting the use of funds raised by pre-sales, made the properties we developed more costly, unattractive or even unavailable to certain of our customers. In addition, since January 2010, policies implemented by the PRC Government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which we operate. These measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012.

Following the market fluctuations in the face of temporary easing of some restrictions by local governments in the second and third quarters of 2012, the property price and transaction volume increased in the last quarter of 2012 and the first quarter of 2013. On February 26, 2013, the General Office of the State Council announced the Notice on Further Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》). According to such notice, local governments shall increase the supply of housing properties and lands, and set price control targets in cities with rapidly increasing property prices. In addition, the notice also requires the local government to strictly implement existing purchase restrictions and differentiated credit policies with regard to the down payment ratios and interest rates for mortgages for second and more residential property. If the property price increases too quickly, the local government may further increase interest rates and down payment ratio for mortgages for second and more properties. For cities with existing purchase restrictions, the city municipals shall impose further restrictions. For cities with no purchase restrictions, the provincial governments must require these cities to promptly adopt purchase restrictions. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the difference between the sales proceeds and the original purchase price for the sale of second-hand properties is strictly implemented. These policies aim to serve to restrain the trend of excessive increase in housing prices. At the end of 2013, a new round of policies aiming at promoting affordable housing and discouraging speculative investments in residential properties were announced in a number of large cities in China, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou.

The PRC Government has eased certain restrictive measures starting in the third quarter of 2014 to foster the growth of the residential property market in China, encourage transactions and reduce idle housing inventories. However, such measures have resulted signs of overheating in the property markets in first-tier and certain second-tier cities. As a response, in certain first-tier and second-tier cities including Shanghai, Shenzhen, and Suzhou, local governments have again enhanced restrictive measures such as raising the minimum percentage of down payment of the purchase price of the second and more residential property of a family, requiring longer social insurance records in such cities for citizens whose household registration were not in such cities, and restriction on the percentage of price increases by real estate developers during a year. In 2015, the PRC Government raised percentage of down payment and changed the calculation base of business tax concerning transfer of individual housing, pursuant to which, where an individual sells a property purchased within two years business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two year ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax. In 2016, such tax policies have been further refined.

On February 13, 2017, the Asset Management Association of China issued Circular 4 of Regulation for Registration Management of Private Asset Management Plan by Securities and Future Institutions (the “Circular 4”). The Circular 4 provides that any private equity and asset management plan that is adopted to make either direct or indirect investment into any ordinary residential property project located in certain PRC cities where the property price rises too fast shall not be filed for a record temporarily. Such cities currently include 16 major cities in the PRC, such as Shanghai, Hefei, Nanjing, Suzhou, Tianjin, Fuzhou, Wuhan and Zhengzhou, and the list of such cities may be updated from time to time in the future according to the relevant regulations of the Ministry of Housing and Urban-Rural Development of the PRC. According to the Circular 4, a private equity and asset management plan shall neither be used to finance any real estate developer, by means of bank entrusted loans, trust plans, or usufruct of transferee assets, for the purpose of paying the price of land grant or supplementing the working capital, nor be used to directly or indirectly facilitate any violation or illegality of various institutions’ granting of loans for down payments.

Local governments in Changzhou and certain other cities have introduced further policies to restrain property purchases for speculative purposes and prevent property prices from rising too quickly. Such policies include raising the percentage of down payment of the purchase price from 30% to 50%, strengthening the tax levy on the sales proceeds for second-hand transfer of residential properties, and strictly restricting selling properties owned for less than two years. On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the *Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply* (《住房城鄉建設部、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》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build inspection systems to monitor the source of funds for land acquisition to ensure that the real estate developers use their own legal funds to purchase lands. These measures reduced the transaction volumes in certain major cities in the PRC in the second quarter of 2017.

There is no assurance that the PRC Government will relax existing restrictive measures, impose and enhance restrictive measures, or to impose other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs, and any easing measures introduced may also not be sufficient. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, our financial condition, results of operations and prospects may be materially and adversely affected.

We face intense competition, which may materially and adversely affect our business, financial performance and results of operation.

The property market in Changzhou and other parts of the Yangtze River Delta Region has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development markets in the region where we have operations and those which we may enter in the future. Our competitors include overseas listed foreign developers and top-tier domestic developers and they may have better access to resources, in particular financial resources than us. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, temporary local market surpluses in property supply leading to property price declines, and higher costs to attract or retain talented employees, thereby affecting our profitability. If we fail to compete effectively, our financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO THE PRC

The PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial performance and results of operations.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC Government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in the PRC; (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies; (iii) measures which may be introduced to control inflation or deflation; (iv) changes in the rate or method of taxation; and (v) imposition of additional restrictions on currency conversion and remittances abroad.

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

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

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

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics and pandemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics, pandemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics and pandemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus named COVID-19 by the World Health Organization.

The COVID-19 outbreak, which may have first appeared at the end of 2019, has subsequently spread across China and around the world. On March 11, 2020, World Health Organization declared COVID-19 outbreak a pandemic. Governments across the world have imposed travel restrictions and/or lockdown in an effort to curb the spread of highly infectious COVID-19. As the pandemic continues to spread worldwide, more countries may impose similar or more severe containment measures. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measures may materially and adversely affect the manufacturing, exports and imports and consumption of goods globally, which may in turn lead to global economy slowdown. As a result, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the pandemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation.

Past occurrences of epidemics and pandemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics or pandemics, including, for example, the ongoing COVID-19, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale, may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (“Brexit”). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom,

the European Union and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

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

China's economic growth may slowdown due to weakened exports and nationwide structural reforms. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years. The recent developments surrounding the trade war with the United States may also weaken exports and impact China's economic growth negatively. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the PRC industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. In addition, the COVID-19 pandemic may materially and adversely affect the global economy. See "— The national and regional economies in China and our prospectus may be adversely affected by natural disasters, acts of God, and occurrence of epidemics and pandemics."

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

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

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

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the

foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. The value of the Renminbi depreciated against the U.S. Dollar by 4.8%, 6.2%, 5.3% and 1.4% in 2015, 2016, 2018 and 2019 respectively, but appreciated against the U.S. Dollar by 6.7% in 2017. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. But we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13"), and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

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

On May 11, 2013, SAFE promulgated the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors (外國投資者境內直接投資外匯管理規定), which became effective on May 13, 2013 and partially amended in October 2018 and December 2019. Such provisions stipulate, among other things, (i) that institutions and individuals involved in domestic direct investment shall register with the SAFE and its branch offices and banks shall provide the relevant domestic direct investment service in accordance with the registration information filed with the foreign exchange authorities; and (ii) that any capital modification of foreign-invested enterprises, such as capital increase or decrease or equity transfer, shall be filed modification registration with the foreign exchange authorities. These regulations effectively restrict our ability to fund our PRC subsidiaries by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require registration and reporting investment information to relevant competent authorities, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. There can be no assurance that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with such regulations.

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

The PRC government has imposed restrictions on foreign investment in the property sector to curtail the perceived over-heating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control on

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

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

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

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

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

Under the EIT Law, commencing January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Regulations for the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular, amended in December 2017, to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will explain the regulation. Therefore, we may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation regulations.

We face uncertainty 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, amended on December 1, 2017 and December 29, 2017 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 to be a direct transfer of PRC

Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding 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 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 the PRC involving PRC Taxable Assets, 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.

Failure by our Shareholders or beneficial owners who are PRC resident to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents could expose us and our PRC resident Shareholders to liability under the PRC laws.

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”), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident (“PRC Resident”) to register with a local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “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 registration for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. We cannot assure that all of our shareholders who are PRC Residents will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. Failure to comply with the registration procedures of the SAFE Circular No. 37 may result in penalties and sanctions.

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

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. 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 land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the date of this offering memorandum, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

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

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

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiaries Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2020, our Non-Guarantor Subsidiaries had total debt in the amount of RMB8,512.0 million (US\$1,204.8 million), capital commitments in the amount of RMB13,014.0 million (US\$1,842.0 million) and contingent liabilities arising from guarantees in the amount of RMB5,721.4 million (US\$809.8 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

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

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

We will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of June 30, 2020, our total borrowings included in non-current borrowings and current borrowings were RMB4,883.7 million (US\$691.3 million) and RMB2,052.1 million (US\$290.5 million), respectively. We incurred further indebtedness after June 30, 2020. See “Description of Other Material Indebtedness.”

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

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

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

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

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. For example, we may not be able to satisfy the Fixed Charge Coverage Ratio requirement for ratio debt immediately after the issuance of the Notes, in which case, we will have to rely on Permitted Indebtedness provisions to incur any additional debt. Certain of our financing arrangements also impose operating and financial restrictions on our business. Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Our Company is a holding company that relies on payment from our subsidiaries and joint ventures for funding and limitations on the ability of our PRC subsidiaries and joint ventures to pay dividends or repay intercompany loans or advances to us may have a material adverse effect on our ability to conduct our business.

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

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

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance

markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries and joint ventures to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be). Any limitation on the ability of our PRC subsidiaries and joint ventures to pay dividends to us may also materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses or otherwise fund and conduct our business.

The Renminbi is not a freely convertible currency.

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

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

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

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Currently, we do not adopt any hedging instruments to reduce our foreign exchange risk exposure. Following the offering of the Notes, in the future we may purchase derivative financial instruments or enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes.

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

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

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

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

We may be unable to obtain and remit foreign exchange.

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

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

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

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

The indentures governing the Notes and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers or enter into other cooperative arrangements. As part of our business strategy, we may also invest in other businesses that we believe are suitable. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) or other third parties and such entities may or may not be Restricted Subsidiaries. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. For example, we may, subject to certain conditions, make investments in any minority-owned joint ventures up to an aggregate amount equal to 5% of our total assets without satisfying the Fixed Charge Coverage Ratio requirement. Subject to certain conditions, we are also permitted to make investments in any minority owned joint venture which are Franchise Companies (as defined in the “Description of the Notes”) that are engaged in property development, of which we, through contractual agreements, directly or indirectly, controls and managers operations. See the definition of “Permitted Investment” in “Description of the Notes.”

The terms of the Notes permit us to pay substantial amount of dividends.

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a “Restricted Payment”, which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock in an aggregate amount up to 25.0% of our profit for the immediate prior fiscal year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able to pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

We may elect to redeem the Notes prior to their maturity.

As set forth in “Description of the Notes — Optional Redemption,” the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. The date on which the Company elects to redeem the Notes may not accord with the preference of particular Noteholders. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

The short term nature of the Notes may place increased pressure on the our cash flow and funding needs.

The Notes have a maturity date of less than one year. Our ability to repay the Notes and to meet our other debt service obligations depends on our future operating and financial performance and ability to generate cash in the short term, which are affected by general economic, financial, competitive and other factors beyond our control. Dedicating a substantial portion of our cash flow to making payments on our debt, including the Notes, within a short period would limit the availability of funds for working capital, business opportunities and other general corporate purposes, increase our vulnerability to adverse general economic or industry conditions, limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, and potentially increase our cost of borrowing. In addition, the availability of

external financing with which to repay our debt financing, including the Notes, is subject to numerous factors, including general political, economic and capital market conditions (both internationally and within the PRC), interest rates, credit availability from banks and other major lenders and investor confidence in us and our business, some of which may be outside our control. In addition, the issuance of the Notes has not been registered with National Development and Reform Commission (the “NDRC”) of the PRC pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號》) (the “NDRC Notice”) as the NDRC Notice only applies to offshore offerings of debt by PRC enterprises with a tenor of one year or above. However, uncertainties remain regarding its interpretation, implementation and enforcement by the NDRC, and, in particular, there is a risk that the NDRC could in the future amend the rules relating to the NDRC Notice or the interpretation thereof (including with retroactive effect), such that debt instruments similar to the Notes will be subject to the registration and other requirements under the NDRC Notice.

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

The Notes are a new issue of securities for which there is currently no trading market. Although application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. Further, the Notes may be allocated to a limited number of investors, in which case liquidity may be limited. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Transfer Restrictions.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

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

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of any class of capital stock of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, may not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules are subject to the independent shareholders’ requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions

are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The insolvency laws of the Cayman Islands, British Virgin Islands and other local insolvency laws may differ from the United States bankruptcy laws or those of another jurisdiction with which holders of the Notes are familiar.

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

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

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

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

The Trustee may request the holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions on their behalf. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indenture or in circumstances where there is uncertainty or dispute as to such actions' compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the Notes to take such actions directly.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this

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

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

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

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

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

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

Under the EIT Law, if we are deemed as a “resident enterprise” in the PRC, PRC withholding tax at the rate of 10% (or lower treaty rate, if any) might be applicable to interest paid by us to investors that are “non-resident enterprises” if such “non-resident enterprise” investors do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by “non-resident enterprise” investors would be subject to a 10% PRC tax if we were treated as a PRC “resident enterprise” and such gain is regarded as income derived from sources within China. In the case of “non-resident individual” investors, the PRC income tax on interest and gains may be imposed at a rate of 20% (or lower treaty rate, if any). If we were a PRC “resident enterprise” and were required under the EIT Law to withhold PRC income tax on interest payable to our Note holders, we would be required to, subject to certain exceptions, pay such additional amounts as would result in receipt by

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

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

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

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

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

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

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated

assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors which will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our obligations under Notes if we are unable to do so.

Under the terms of the Notes, the Company may elect not to cause any future Restricted Subsidiary organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) provide any guarantee for the Notes and a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee provided by a JV Subsidiary Guarantor and its shareholder and subsidiaries is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared with a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes. See “— Risks Relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

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

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

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor’s insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

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

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be US\$150.0 million, which we plan to use for refinancing and general corporate/working capital purpose.

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

EXCHANGE RATE INFORMATION

China

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

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July	6.9744	7.0041	7.0703	6.9744
August	6.8647	6.9310	6.9799	6.8647
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November (through November 20, 2020)	6.5608	6.6090	6.6899	6.5556

Source: Federal Reserve H.10 Statistical Release

Note:

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

Hong Kong

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

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(HK per US\$1.00)		
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020				
April	7.7514	7.7512	7.7530	7.7498
May	7.7513	7.7519	7.7561	7.7500
June	7.7501	7.7501	7.7514	7.7498
July	7.7500	7.7509	7.7538	7.7499
August	7.7502	7.7502	7.7506	7.7498
September	7.7500	7.7500	7.7504	7.7499
October	7.7548	7.7503	7.7548	7.7498
November (through November 20, 2020)	7.7525	7.7529	7.7552	7.7505

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering, in each case, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the selected consolidated financial information and related notes included in this offering memorandum.

	As of June 30, 2020			
	Actual		As adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
	(in thousands)			
Cash and cash equivalents (excluding restricted cash)⁽¹⁾	2,870,456	406,287	3,930,221	556,287
Current borrowings:⁽²⁾				
Bank borrowings	1,722,140	243,754	1,722,140	243,754
Other borrowings	330,000	46,708	330,000	46,708
Notes to be issued	—	—	1,059,765	150,000
Total current borrowings	2,052,140	290,462	3,111,905	440,462
Non-current borrowings:				
Bank borrowings	3,608,005	510,680	3,608,005	510,680
Borrowings from other financial institution	1,275,700	180,564	1,275,700	180,564
Total non-current borrowings	4,883,705	691,244	4,883,705	691,244
Total equity	2,235,220	316,375	2,235,220	316,375
Total capitalization⁽³⁾	7,118,925	1,007,619	7,118,925	1,007,619

Notes:

- (1) As of June 30, 2020, cash and cash equivalents excluded restricted cash of RMB2,428.3 million (US\$343.7 million). Restricted cash consists principally of guarantee deposits for the benefit of mortgage loan facilities granted by banks to the purchasers of properties and bank deposits pledged as collateral for the borrowings.
- (2) Our current debt includes the current portion of long-term borrowings.
- (3) Total capitalization equals total non-current debt plus total equity attributable to our equity holders.
- (4) Subsequent to June 30, 2020, we have from time to time entered into additional loan agreements to finance our property developments or for general corporate purposes in the ordinary course of business. These changes in our borrowings and any repayments after June 30, 2020 have not been reflected in this capitalization table.

Since June 30, 2020, we have incurred additional indebtedness. See “Business — Recent Developments.” In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since June 30, 2020. See “Description of Other Material Indebtedness.”

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated income statement data for the years ended December 31, 2017, 2018 and 2019 and the selected consolidated statements of financial position as of December 31, 2017, 2018 and 2019 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such periods and as of such dates, as audited by PricewaterhouseCoopers, our independent certified public accountants, and included elsewhere in this offering memorandum. The selected consolidated income statement data for the six months ended June 30, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial information for the six months ended and as of June 30, 2020, as reviewed by PricewaterhouseCoopers, our independent certified public accountants in accordance with HKFRS. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of our management, include all adjustments considered necessary for a fair presentation of the financial position and results of operations for such periods. Results for interim periods are not indicative of results for the full year. Historical results are not necessarily indicative of results that may be achieved in any future period.

Selected Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands, except percentages)						
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers	433,931	1,659,593	1,978,034	279,973	590,520	1,713,089	242,472
Cost of sales	(338,928)	(1,148,938)	(1,133,507)	(160,438)	(336,929)	(1,056,671)	(149,562)
Gross profit	95,003	510,655	844,527	119,535	253,591	656,418	92,910
Other income	27,367	69,172	77,245	10,933	32,593	11,107	1,572
Selling and marketing expenses . .	(18,252)	(60,965)	(212,441)	(30,069)	(51,128)	(160,838)	(22,765)
General and administrative expenses	(29,868)	(90,072)	(250,454)	(35,449)	(71,248)	(177,866)	(25,175)
Fair value gains on investment properties	19,500	6,700	15,600	2,208	9,700	–	–
Operating profit	93,750	435,490	474,477	67,158	173,508	328,821	46,542
Finance income	1,487	2,542	8,607	1,218	4,357	8,856	1,253
Finance costs	(5,804)	(37,174)	(78,623)	(11,128)	(19,866)	(44,043)	(6,234)
Finance costs, net	(4,317)	(34,632)	(70,016)	(9,910)	(15,509)	(35,187)	(4,981)
Share of results of joint ventures and associates	(16,750)	80,093	359,427	50,874	(5,100)	211,744	29,970
Profit before income tax	72,683	480,951	763,888	108,122	152,899	505,378	71,531
Income tax expenses	(39,852)	(148,993)	(293,824)	(41,588)	(83,240)	(184,318)	(26,089)
Profit and total comprehensive income for the years	<u>32,831</u>	<u>331,958</u>	<u>470,064</u>	<u>66,534</u>	<u>69,659</u>	<u>321,060</u>	<u>45,442</u>
Attributable to:							
Owners of the Company	31,356	354,831	668,041	94,556	94,057	472,309	66,850
Non-controlling interests	1,475	(22,873)	(197,977)	(28,022)	(24,398)	(151,249)	(21,408)
	<u>32,831</u>	<u>331,958</u>	<u>470,064</u>	<u>66,534</u>	<u>69,659</u>	<u>321,060</u>	<u>45,442</u>
Other Financial Data (Unaudited)							
EBITDA ⁽¹⁾	80,630	521,205	856,253	121,196	175,740	549,531	77,782
EBITDA margin ⁽²⁾	18.6%	31.4%	43.3%	43.3%	29.8%	32.1%	32.1%

Notes:

(1) EBITDA for any period consists of net profit before finance costs, income tax expenses, depreciation of property, plant and equipment and right-of-use assets, amortization expenses and capitalized interest under cost of sales. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

Selected Consolidated Financial Position Data

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(in thousands)	(unaudited)	(unaudited)	(unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	6,899	21,355	36,004	5,096	36,372	5,148
Investment properties	148,500	155,200	170,800	24,175	170,800	24,175
Investments accounted for using the equity method	209,811	714,005	1,103,432	156,181	1,315,176	186,151
Deferred income tax assets	26,776	19,358	151,192	21,400	236,358	33,454
	<u>391,986</u>	<u>909,918</u>	<u>1,461,428</u>	<u>206,852</u>	<u>1,758,706</u>	<u>248,928</u>
Current assets						
Properties under development	2,170,671	5,433,641	16,052,548	2,272,091	20,519,941	2,904,409
Completed properties held for sale	63,722	40,725	732,904	103,736	412,663	58,409
Trade and other receivables and prepayments	1,353,737	1,096,616	1,252,942	177,342	1,851,791	262,105
Amounts due from associates	268,550	319,636	124,709	17,651	128,389	18,172
Amounts due from joint ventures	759,806	569,664	350,268	49,577	292,735	41,434
Amount due from a Controlling Shareholder	3	500	—	—	—	—
Amounts due from non-controlling interests	6,600	102,043	198,443	28,088	685,812	97,070
Tax recoverable	54,730	126,028	206,629	29,246	135,061	19,117
Restricted cash	30,264	219,233	1,414,744	200,244	2,428,302	343,704
Pledged time deposits	—	—	45,920	6,500	101,273	14,334
Cash and cash equivalents	166,204	622,753	1,052,217	148,932	2,870,456	406,287
	<u>4,874,287</u>	<u>8,530,839</u>	<u>21,431,324</u>	<u>3,033,407</u>	<u>29,426,423</u>	<u>4,165,041</u>
Total assets	<u>5,266,273</u>	<u>9,440,757</u>	<u>22,892,752</u>	<u>3,240,259</u>	<u>31,185,129</u>	<u>4,413,969</u>
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	—	—	—	—	—	—
Reserves	318,271	575,490	1,243,531	176,010	1,715,840	242,862
	<u>318,271</u>	<u>575,490</u>	<u>1,243,531</u>	<u>176,010</u>	<u>1,715,840</u>	<u>242,862</u>
Non-controlling interests	3,112	125,683	409,823	58,007	519,380	73,513
Total equity	<u>321,383</u>	<u>701,173</u>	<u>1,653,354</u>	<u>234,017</u>	<u>2,235,220</u>	<u>316,375</u>
LIABILITIES						
Non-current liabilities						
Borrowings	135,300	551,800	1,709,099	241,907	4,883,705	691,244
Lease liabilities	279	3,502	3,782	535	2,229	315
Deferred income tax liabilities	39,075	60,791	94,699	13,404	136,497	19,320
	<u>174,654</u>	<u>616,093</u>	<u>1,807,580</u>	<u>255,846</u>	<u>5,022,431</u>	<u>710,879</u>
Current liabilities						
Trade payables, bills payables and other payables	1,138,423	1,523,305	2,463,085	348,626	3,098,244	438,528
Lease liabilities	672	5,313	8,188	1,159	8,740	1,237
Contract liabilities	2,526,642	3,653,783	8,416,172	1,191,232	13,992,561	1,980,518
Amounts due to associates	592,355	822,213	1,497,735	211,991	1,387,598	196,402
Amounts due to joint ventures	212,536	509,177	869,944	123,133	894,836	126,656
Amounts due to Controlling Shareholders	65,150	9,981	23,539	3,332	—	—
Amounts due to related parties	21,824	11,119	—	—	—	—
Amounts due to non-controlling interests	—	1,221,665	4,682,599	662,779	2,338,321	330,968
Tax payable	30,411	62,635	326,356	46,193	155,038	21,944
Borrowings	182,223	304,300	1,144,200	161,951	2,052,140	290,462
	<u>4,770,236</u>	<u>8,123,491</u>	<u>19,431,818</u>	<u>2,750,396</u>	<u>23,927,478</u>	<u>3,386,715</u>
Total liabilities	<u>4,944,890</u>	<u>8,739,584</u>	<u>21,239,398</u>	<u>3,006,242</u>	<u>28,949,909</u>	<u>4,097,594</u>
Total equity and liabilities	<u>5,266,273</u>	<u>9,440,757</u>	<u>22,892,752</u>	<u>3,240,259</u>	<u>31,185,129</u>	<u>4,413,969</u>

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

The following discussion and analysis 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 the section headed "Risk Factors" in this offering memorandum. Unless the context otherwise requires, financial information in this section is described on a consolidated basis.

OVERVIEW

We are an established property developer in the Yangtze River Delta Region focusing on the development and sales of residential properties and accompanying ancillary facilities, such as retail units, car parks and ancillary areas. Headquartered in Shanghai, we have established an active presence and a strategic regional coverage in the Yangtze River Delta Region, one of the most economically prosperous and vibrant regions in the PRC, which is expected to enjoy healthy economic growth. For the years ended December 31, 2017, 2018 and 2019, our revenue from the development and sales of properties amounted to RMB433.9 million, RMB1,659.6 million and RMB1,978.0 million (US\$280.0 million) respectively, representing a CAGR of 113.5%; and our net profit amounted to RMB32.8 million, RMB332.0 million and RMB470.1 million (US\$66.5 million), respectively, representing a CAGR of 278.6%. Our revenue increased by 190.1% from RMB590.5 million in the six months ended June 30, 2019 to RMB1,713.1 million (US\$242.5 million) in the six months ended June 30, 2020; our net profit increased by 360.9% from RMB69.7 million in the six months ended June 30, 2019 to RMB321.1 million (US\$45.4 million) in the six months ended June 30, 2020.

We believe that our distinctive market positioning, excellent brand reputation, together with our efficient organizational structure and a diversified land acquisition strategy, all of which have contributed to our growth and have enabled us to replicate our success as we grow in our target markets.

SIGNIFICANT 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:

Availability and Land Cost in Strategically Selected Locations

Land costs are one of the major components of our cost of sales for property development. Our continued business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns. We acquire land parcels through public tender, auction or listing-for-sale and acquisition of equity interests or investments in companies that hold land use rights. As the PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect competition among property developers to intensify, especially in new markets in second-tier cities and core districts in third-tier cities in the Yangtze River Delta Region where most of our properties are located in. In addition, PRC governmental land supply policies and implementation measures are likely to further intensify competition, consequently, increase the land costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a significant portion of the actual cost of the relevant land and we are required to settle the land costs within the prescribed time limit after signing the land grant contract in accordance with relevant regulation, which has accelerated the timing of our payment for land costs and has had a significant impact on our cash flows. It is generally expected that land costs will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results.

Availability and Cost of Financing

Financing is an important source of funding for property development. We finance our operations primarily through internally generated cash flow including proceeds from the pre-sale and sales of our properties, as well as external financings, such as borrowings from commercial banks and other financing arrangements including trust financing. 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 that restrict the ability of property developers to obtain bank financings. As commercial banks in the PRC 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. Trust financing arrangements provided by trust financing providers and other financial institutions usually have greater flexibility in terms of fund availability and repayment requirements. While trust financing providers and other financial institutions generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those charged 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 trust financing providers and other financial institutions are required to adopt when considering applications for trust financing 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 trust financing providers and other financial institutions can make available for the PRC property development industry 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 June 30, 2020, our total outstanding borrowings (including bank and other borrowings) amounted to RMB317.5 million, RMB856.1 million, RMB2,853.3 million (US\$403.9 million) and RMB6,935.8 million (US\$981.7 million) respectively. In the future, we may obtain further funding by accessing both the international and domestic capital markets to diversify our financing sources, secure sufficient working capital to support our business expansion. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

Timing of Property Development, Pre-sale and Delivery

The number of property development projects that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as land supply. The development of a property project may take several months to even years before the commencement of pre-sale, depending on the size and difficulty of the project, and in general no revenue with respect to such project is recognized until it is recognized under the relevant accounting policy. 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 recognized in the relevant periods. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. The timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of 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 operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Macroeconomy of PRC and Regulatory Measures for the Property Sector in the PRC

Substantially all of our revenue in 2017, 2018, 2019 and the six months ended June 30, 2020 was generated from operations relating to the residential property markets in the PRC. The conditions of the residential property markets in the PRC are significantly impacted by governmental policies and regulations in the PRC relating to property development.

From time to time, the PRC government adjusts its regulation of the property market depending on macroeconomic conditions to achieve policy goals, such as preventing the overheating of the property market or stimulating the property market during and after an economic downturn.

In recent years, in response to rising property prices across the country, the PRC government has implemented a series of measures aimed at controlling prices in the property market. Various administrative bodies have introduced policies and measures to discourage property purchase for speculation. These measures require, among other things, higher minimum down payments from purchasers, new restrictions on the purchase of properties, and increases in bank lending interest rates for mortgage financing. In addition, a substantial portion of our customers make down payments and rely on mortgage financing to purchase our properties. Accordingly, our business and results of operations may be affected by governmental policies and regulations in the PRC relating to property development, including those that have (i) increased taxes on title transfers and property ownership, (ii) increased down payment requirements for residential mortgages, (iii) tightened credit on financing and mortgage loans and (iv) restricted multiple home ownership and investments in residential property outside one's province of residence.

Construction and Labor Costs

Construction costs constitute a substantial portion of our cost of sales while labor costs of our staff constitute a significant portion of our expenses before our operating profits. Construction costs primarily consisted of construction contracting costs incurred for services rendered by our construction contractors. Any increase in construction costs will impact our cost of sales and overall project development costs. Furthermore, as we would commence pre-sales prior to completion of construction, we may not be able to pass any increase in construction costs subsequent to the pre-sales to our customers. In addition, labor costs also attribute to a substantial portion of our expenses before operating profits. Labor costs consists primarily of salaries and other benefits for our selling and marketing staff as well as our administrative staff, which may increase depending on the number of our staff and the employment market conditions from time to time. As a result, any significant increase in the construction costs and labor costs for property development may adversely affect our business, results of operations and financial condition.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. We incurred LAT expenses of RMB11.1 million, RMB33.1 million, RMB184.4 million (US\$26.1 million), RMB37.5 million and RMB68.3 million (US\$9.7 million), for the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, respectively. We have accrued LAT payable on our properties sales and transfers in compliance with the relevant LAT laws and regulations in 2017, 2018, 2019 and the six months ended June 30, 2020. However, the 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 have 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 critical accounting policies involve subjective assumptions 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 to the Accountant's Report as of and for the years ended December 31, 2017, 2018 and 2019.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies; (ii) the 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 requires 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.

Revenue Recognition

We recognize revenue from sales of properties at a point in time when the buyer obtains control of the completed property. We may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to us. Whether there is an enforceable right to payment depends on the terms of sales contract (by written or verbal) and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments interpretation.

We have also made judgment on when control of properties are transferred to customers. Control of properties are transferred to customer upon which the construction or relevant properties has been completed and upon which the properties has been handovered to the customers.

The judgment on the right to payment associated with the property sales transaction and the transfer of control of properties would affect our profit for the Track Record Period and the carrying value of completed properties held for sale.

Classification of subsidiaries, joint ventures and associated companies

The classification of an investment as a subsidiary, a joint venture or an associated company is based on whether we are determined to have control, joint control or significant influence over the investee, which involves judgments 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.

Subsidiaries are consolidated, which means each of theirs assets, liabilities and transactions are included line-by-line in our consolidated financial statements, whereas the interests in joint ventures and associated companies are equity accounted for as investments on the consolidated statements of financial position.

Accordingly, any changes in classification as a result of recognition or derecognition of material investments could have a material and pervasive impact on the consolidated financial position.

Please refer to Note 2.2 to our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019.

LAT

We are subject to LAT in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and our LAT calculation and payments are subject to finalization with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. We recognizes these LAT based on management's best estimates according to the understanding of the tax rules, by using a single best estimate of the most likely outcome approach. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalized with local tax authorities.

Income tax and deferred income tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. We recognizes tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

Provision for impairment of properties under development and completed properties held for sale

We assess the carrying amounts of properties under development and completed properties held for sale according to their net realizable value based on the realizability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized. The assessment requires the use of judgment and estimates.

Impairment of non-financial assets

We assess whether there are any indicators of impairment for all non-financial assets at the end of each of the balance sheet dates. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on the available data from binding sales transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial assets

Our loss allowance for financial assets are based on assumption about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are set forth in Note 3.1(b) to our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019.

Fair value of investment properties

Investment properties including those completed investment properties, are carried at their fair value. The fair value of our investment properties was determined by reference to valuations conducted on these properties by an independent professional property valuer using property valuation techniques which involve certain assumptions of prevailing market conditions.

SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue from contracts with customers

For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our sales of properties amounted to RMB433.9 million, RMB1,695.6 million, RMB1,978.0 million, RMB590.5 million and RMB1,713 million (US\$242.5 million), respectively.

Our revenue for any given period is mainly affected by the GFA delivered and the ASP of the properties we delivered 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 the PRC in general as well as in the cities and regions in which we operate. During 2017, 2018, 2019 and the six months ended June 30, 2020, our GFA delivered fluctuated from period to period depending on the size of the projects and the stage of their development. The ASP of properties sold also fluctuated from period to period depending mainly on the overall market demand and conditions at the times the properties pre-sold or sold, geographical location, design, target customer group, quality and overall costs of the properties sold.

The following table sets forth our GFA delivered and ASP for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Total GFA delivered (sq.m.)	77,452.74	227,582.28	250,586.32	152,309
ASP per sq.m. (RMB)	5,603	7,292	7,894	11,247

We usually charge a higher selling price on properties with higher ceiling height as they are generally more appealing to our customers which, however, may also lead to higher construction cost due to greater consumption of construction materials. In addition, retail properties situated in mixed-use complex generally have a lower average land cost per sq.m. sold than that of standalone retail units as the total land costs of a mixed-use complex are distributed among more property units (retail and/or commercial and residential).

Consistent with industry practice, we typically enter into pre-sale contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. In general, there is a time difference between the time we commence the pre-selling of properties under development and the delivery of such properties. We recognize revenue from the delivery of properties when such properties are completed and the possession or legal title of such properties has been delivered to the customers. Proceeds from customers of pre-sold properties are recorded as “contract liabilities” under the current liabilities before relevant sales revenue is recognized. Since the revenue from sales of properties are only recognized upon the delivery of properties and the control of the properties has been transferred to the customers, the timing of such delivery may affect not only the amount and growth rate of our revenue from sales of properties but also may cause contract liabilities to fluctuate from period to period.

The following table sets forth our revenue from sales of properties by types of property for the periods indicated.

	Year ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	Revenue		Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	RMB'000	%	RMB'000	US\$'000	RMB'000	%
					(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)	
Residential	311,426	71.8	1,527,221	92.0	1,876,723	265,633	94.9	573,463	97.1	1,647,528	233,195	96.1
Retail and commercial ⁽¹⁾	102,344	23.6	124,758	7.5	6,933	981	0.3	3,803	0.6	54,339	7,690	3.2
Car parks and garage/storage	20,161	4.6	7,614	0.5	94,378	13,358	4.8	13,254	2.3	11,222	1,587	0.7
Total	433,931	100.0	1,659,593	100.0	1,978,034	279,973	100.0	590,520	100.0	1,713,089	242,472	100.0

Note:

- (1) Our retail and commercial properties mainly comprises of retail units ancillary to various residential properties developed by us except for Ganglong Shang Ceng which is a commercial development that primarily comprises of office units.

Cost of Sales

Our cost of sales represents the costs we incur directly for our sale of properties, which comprised construction costs, land costs and capitalized interest. For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our cost of sales was RMB338.9 million, RMB1,148.9 million, RMB1,133.5 million (US\$160.4 million), RMB590.5 million and RMB1,713.1 million (US\$242.5 million), respectively.

The table below sets forth a breakdown of our cost of sales and as percentage of total cost of sales for the periods indicated.

	Year ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%	RMB'000	%	RMB'000	US\$'000	%
						(unaudited)		(unaudited)		(unaudited)	(unaudited)	
Construction costs . .	258,589	76.3	912,960	79.5	810,180	114,674	71.5	232,499	69.0	859,410	121,642	81.3
Land costs	80,179	23.7	235,978	20.5	313,378	44,356	27.6	102,594	30.4	197,110	27,899	18.7
Capitalized interest . .	160	-	-	-	9,949	1,408	0.9	1,836	0.6	151	21	0.0
Total	338,928	100.0	1,148,938	100.0	1,133,507	160,438	100.0	336,929	100.0	1,056,671	149,562	100.0

Construction Costs

Construction costs include all the costs incurred for the design and construction of a property project, primarily consisting of payments to our contractors for construction works of our property development projects. Our construction costs are affected by a number of factors, including the type and geographic condition of the properties being constructed, the contractors we engaged or the type and amount of construction materials to be used by our contractors, which may vary from city to city or project to project.

Land Costs

Land costs relating to acquisition of the rights to occupy, use and develop land, including land grant fees and other land related taxes. These costs are affected by a number of factors, such as the location of the underlying property, the project's plot ratios, regional property market condition, the timing of the land acquisition, the method of acquisition and changes in PRC promulgated policies and regulations.

Capitalized interest

We capitalize a 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 comprehensive income in the period in which they are incurred.

In 2017, 2018, 2019 and the six months ended June 30, 2020, the development of certain of our major revenue generating projects were primarily financed by internal financial resources, pre-sale proceeds and advance from our Controlling Shareholders, and with only limited use of interest-bearing loans. As such, our cost of sales for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 consisted of only limited capitalized interests as and when the revenue of these major revenue generating projects were recognized. We have gradually increased the use of interest-bearing loans to finance the development of our property development projects since 2018, and we expect the capitalized interests recognized in such connection will be reflected in cost of sales when these projects are delivered in future periods.

Gross Profit and Gross Profit Margin

Our gross profit for the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020 was RMB95.0 million, RMB510.7 million, RMB844.5 million (US\$119.5 million), RMB253.6 million and RMB656.4 million (US\$92.9 million), respectively. Our gross profit margin for the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020 was 21.9%, 30.8%, 42.7%, 42.9% and 38.3% respectively.

The following table sets forth our gross profit and gross profit margin by type of properties delivered for the periods indicated.

	Year ended December 31,						Six months ended June 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	Gross profit margin	
	RMB'000	%	RMB'000	%	RMB'000	US\$'000 (unaudited)	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	US\$'000 (unaudited)	%
Residential	56,357	18.1	438,737	28.7	787,597	114,674	42.0	246,673	43.0	614,957	87,042	37.3
Retail and commercial ⁽¹⁾	32,428	31.7	70,199	56.3	464	66	6.7	(166)	(4.3)	30,820	4,362	56.7
Car parks and garage/storages	6,218	30.8	1,719	22.6	56,466	7,992	59.8	7,084	53.4	10,614	1,506	94.8
Total	95,003	21.9	510,655	30.8	844,527	119,535	42.7	253,591	42.9	656,418	92,910	38.3

Note:

(1) Our retail and commercial properties mainly comprises of retail units ancillary to various residential properties developed by us except for Ganglong Shang Ceng which is a commercial development that primarily comprises of office units.

The changes in our gross profit margin in 2017, 2018, 2019 and the six months ended June 30, 2020 were primarily affected by the selling prices, the construction costs and land costs of our properties for which control of such was transferred.

Residential properties

In 2017, 2018, 2019 and the six months ended June 30, 2020, our gross profit from sale of residential properties represented a major proportion of our gross profit. Our gross profit margin from sales of residential properties increased from 18.1% for the year ended December 31, 2017 to 28.7% for the year ended December 31, 2018 mainly due to the increase in our ASP from sales of residential properties including phase II of Hong Kong City (香江華庭), phase II of The Hong Kong Masterpiece (新港城) and phase I of Xiang Yu Hua Ting (香語華庭), being the major revenue contributing projects in 2018 that situated in Changzhou and Changshu respectively, which had higher ASP as compared to that of phase III of Hua Qiao Cheng (華僑城), being the major revenue contributing project in 2017 and situated in Yancheng, as commodity residential properties in Changzhou and Changshu generally had a higher ASP as compared to those situated in Yancheng. Our gross profit margin from sales of residential properties further increased to 42.0% for the year ended December 31, 2019, which was mainly attributable to the sales of residential properties of Jing Shan Xiu Shui (景山秀水) and Hua Qiao Xin Cheng (華僑新城) that entail relatively higher profit margins than most of our residential properties sold in other projects in 2018, since they comprised townhouses and some of which were delivered with fine decoration. Our gross profit from sales of residential properties of Jing Shan Xiu Shui and Hua Qiao Xin Cheng collectively accounted for 80.5% of our total gross profit for the year ended December 31, 2019. Our gross profit margin from sales of residential properties decreased from 43.0% in the six months ended June 30, 2019 to 37.3% in the six months ended June 30, 2020, which was mainly attributable to due to increase in unit development cost from RMB5,539 per sq.m. in the six months ended June 30, 2019 to RMB7,328 per sq.m. in the six months ended June 30, 2020, partially offset by the increase in ASP recognized from RMB9,720 per sq.m. in the six months ended June 30, 2019 to RMB11,692 per sq.m. in the six months ended June 30, 2020.

In addition, properties delivered in 2017, 2018, 2019 and the six months ended June 30, 2020 were developed on lands acquired in earlier years prior to the price hike of average land costs in the PRC in 2016. As such, our improved revenue and profitability in 2017, 2018, 2019 and the six months ended June 30, 2020 was also partly attributable to the lower land costs.

Retail and commercial properties

Retail and commercial properties mainly included retail units ancillary to various residential properties we developed. Our gross profit margin from sales of retail and commercial properties increased from 31.7% for the year ended December 31, 2017 to 56.3% for the year ended December 31, 2018 mainly attributable to our sales of certain retail units of Hua Qiao Xin Cheng (華僑新城) at a relatively higher ASP as it is located at prime location and a lower average cost per sq.m. sold as being retail units situated in mixed-use complex. We recorded gross profit margin of only 6.7% for the year ended December 31, 2019 mainly because certain remaining retail units of phase III of Hua Qiao Cheng (華僑城) and Ganglong Shang Ceng (港龍尚層) were sold at a discount in 2019. Our gross profit margin from sales of retail and commercial properties increased from -4.3% in the six months ended June 30, 2019 to 56.7% in the six months ended June 30, 2020 mainly attributable to the substantial increase in ASP recognised from RMB7,805 per sq.m. in the six months ended June 30, 2019 to RMB11,750 per sq.m. in the six months ended June 30, 2020.

Other Income

Our other income primarily consists of interest income from associates, joint ventures and other third parties, management and consulting service income and rental income.

Our fee income from rendering management and consulting services is typically determined with reference to the type of services we provide, our involvement in the relevant project, the total contracted sales of the relevant project and our equity holding in the relevant project company.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of advertising and promotion expenses, employee benefit expenses in connection with our selling and marketing staff, office and travelling, sales commission, depreciation and others. Advertising and promotion expenses primarily include costs incurred in connection with our marketing and promotion programs and advertisements of our property projects. Please refer to “Business — Our project management and operation — Our project development and sales process — Sales and marketing — Sales and marketing activities” for our sales and marketing efforts in promoting our project developments. For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our selling and marketing expenses were RMB18.3 million, RMB61.0 million, RMB212.4 million (US\$30.1 million), RMB51.1 million and RMB160.8 million (US\$22.8 million), respectively, representing 4.2%, 3.7%, 10.7%, 8.7% and 9.4% of our revenue in the respective periods. The increase in our selling and marketing expenses in 2018 was primarily due to the increase of employee benefit expenses as a result of the increase in monthly average headcount of selling and marketing staff by over 70 in 2018; and the increase in advertising and promotion expense for the ongoing sales of five new property projects or project phase during the year. The further increase in our selling and marketing expenses in 2019 was primarily due to the increase in advertising and promotion expenses attributable to 13 new property projects we promoted for pre-sales of properties during the year, coupled with the increase in employee benefit expenses as a result of the increase in monthly average headcount of selling and marketing staff by over 260 in 2019. Our selling and marketing expenses increased significantly from RMB51.1 million for the six months ended June 30, 2019 to RMB160.8 million (US\$22.8 million) for the six months ended June 30, 2020, which was primarily attributable to the increase in marketing and advertising costs and staff costs, driven by the rapid growth in the our contracted sales and the number of sales staff.

General and Administrative Expenses

General and administrative expenses primarily consist of employee benefit expenses in connection with administrative staff, entertainment and meeting expenses, management and consulting services fee, professional fees, depreciation, office expenses, travelling and transportation expenses, listing-expenses and others. The significant increases in our general and administrative expenses from 2017 to 2019 and from the six months ended June 30, 2019 to the six months ended June 30, 2020 are primarily due to (i) an increase in employee benefit expenses for our administrative staff as a result of the increase in monthly average headcount of administrative staff to cope with the expansion of our operations; and (ii) the listing expenses recognized during 2018, 2019 and the six months ended June 30, 2019 and 2020, respectively.

Fair Value Gains on Investment Properties

We develop and hold certain properties such as retail shops for rental income or capital appreciation, or both. Our investment properties are appraised by an independent property valuer at each of the relevant reporting date. Any increase or decrease in our investment property value is recognized as fair value gains or losses in our consolidated statements of comprehensive income. The amount of the change in fair value attributable to an investment property depends on the prevailing property market and such increase is a non-cash gain which does not generate any cash inflow as long as we hold the relevant investment property. The fair value gains on investment properties for the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020 were RMB19.5 million, RMB6.7 million, RMB15.6 million (US\$2.2 million), RMB9.7 million and nil, respectively.

Finance Costs, Net

The following table sets forth a breakdown of net finance costs for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Finance income							
Interest income from bank deposits	1,487	2,542	8,607	1,218	4,357	8,856	1,253
Finance costs							
Interest expense for							
– Lease liabilities	(123)	(156)	(813)	(115)	(387)	(426)	(60)
– Bank and other borrowings	(10,135)	(46,523)	(152,589)	(21,598)	(46,662)	(114,406)	(16,193)
– Amount due to associates and joint ventures	–	(5,194)	(20,121)	(2,848)	–	–	–
– Amounts due to non-controlling interests	–	(36,550)	(230,016)	(32,557)	(60,727)	(97,600)	(13,814)
Add: capitalized interest . . .	4,454	51,249	324,916	45,989	87,910	168,389	23,834
	<u>(5,804)</u>	<u>(37,174)</u>	<u>(78,623)</u>	<u>(11,128)</u>	<u>(19,866)</u>	<u>(44,043)</u>	<u>(6,234)</u>
Finance costs, net	<u>(4,317)</u>	<u>(34,632)</u>	<u>(70,016)</u>	<u>(9,910)</u>	<u>(15,509)</u>	<u>(35,187)</u>	<u>(4,980)</u>

Our finance costs primarily consist of (i) interest expenses for bank and other borrowings; and (ii) amounts due to non-controlling interests. Interest on borrowings relating to project development is capitalized to the extent such borrowings are used to finance the development. In addition, the non-controlling shareholders of our non-wholly owned subsidiaries may from time to time make cash advance to such subsidiaries, which, subject to the relevant terms, may be interest-bearing. As such, the increase in our jointly developed projects which in turn may lead to an increase in amount due to non-controlling interests and may result in an increase in our finance cost, if such cash advances are

interest-bearing. Since the interest expenses are only eligible for capitalization that are directly attributable to the acquisition, construction or production of a qualifying asset, our finance costs 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. The percentage of interest capitalized over total interest expense excluding lease liabilities were 43.9%, 58.1%, 80.7%, 81.9% and 79.4% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively.

Share of Results of Joint Ventures and Associates

From time to time, we joint-develop property development projects with third parties who are mostly property developers through jointly investing in project companies established for the purpose of developing particular property development projects. Depending on the level of our control in such project companies, they will either be considered as our subsidiaries, joint ventures, or associates. Our joint ventures are entities over which we have joint control. Our associates are entities which we have significant influence but do not have control or joint control. We generally expect to incur share of losses in our joint ventures and associates until their respective property development project is completed and starts to generate return. Our share of such profits or losses is accounted for as “share of results of joint ventures and associates” on our consolidated statements of comprehensive income. Attributable to the increase in our number of projects developed in the form of joint ventures or associates which were mostly in the developing stage and have not started to generate revenue, for the year ended December 31, 2017 and the six months ended June 30, 2019, we recorded share of losses of joint ventures and associates of RMB16.8 million and RMB5.1 million, respectively. Attributable to a number of projects developed in the form of joint ventures or associates that started to deliver properties and generate revenue in 2018, and offset partially by loss recorded by jointly developed projects that were still in developing stage, for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, we recorded share of profits of joint ventures and associates of RMB80.1 million, RMB359.4 million (US\$50.9 million) and RMB211.7 million (US\$30.0 million), respectively.

Income Tax Expenses

Our income tax expenses include corporate income tax, LAT and deferred income tax.

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Current income tax							
– PRC corporate income tax	26,026	86,712	207,356	29,349	54,256	159,376	22,558
– LAT	11,090	33,147	184,394	26,099	37,484	68,310	9,669
	37,116	119,859	391,750	55,449	91,740	227,686	32,227
Deferred income tax	2,736	29,134	(97,926)	(13,861)	(8,500)	(43,368)	(6,138)
Income tax expenses	<u>39,852</u>	<u>148,993</u>	<u>293,824</u>	<u>41,588</u>	<u>83,240</u>	<u>184,318</u>	<u>26,089</u>

Corporate income tax

Pursuant to the EIT Law, a 25% corporate income tax rate is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. Our PRC subsidiaries are subject to 25% corporate income tax rate.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and is exempted from Cayman Islands income tax. Our BVI subsidiary was incorporated under the BVI Business Companies Act and is exempted from BVI income tax. Our Hong Kong subsidiary is subject to Hong Kong profits tax which is calculated at 16.5% of the assessable profit. Our subsidiaries incorporated in Hong Kong and BVI were exempted from income tax or had no assessable profit during 2017, 2018, 2019 and the six months ended June 30, 2020.

We calculate effective corporate income tax as the quotient of (i) sum of PRC corporate income tax and deferred income tax, divided by (ii) the result of profit before income tax less share of results of joint ventures and associates. For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our effective corporate income tax rate was 32.2%, 28.9%, 27.1%, 29.0% and 39.5%, respectively.

LAT

Under PRC laws and regulations, our subsidiaries in the PRC 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, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

We made provisions for LAT by reference to our sales of properties and the abovementioned progressive rate during 2017, 2018, 2019 and the six months ended June 30, 2020.

RESULTS OF OPERATIONS

	Year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	(US\$)	RMB'000	RMB'000	US\$'000
	(in thousands, except percentages)						
	(unaudited)				(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers	433,931	1,659,593	1,978,034	279,973	590,520	1,713,089	242,472
Cost of sales	(338,928)	(1,148,938)	(1,133,507)	(160,438)	(336,929)	(1,056,671)	(149,562)
Gross profit	95,003	510,655	844,527	119,535	253,591	656,418	92,910
Other income	27,367	69,172	77,245	10,933	32,593	11,107	1,572
Selling and marketing expenses . .	(18,252)	(60,965)	(212,441)	(30,069)	(51,128)	(160,838)	(22,765)
General and administrative expenses	(29,868)	(90,072)	(250,454)	(35,449)	(71,248)	(177,866)	(25,175)
Fair value gains on investment properties	19,500	6,700	15,600	2,208	9,700	—	—
Operating profit	93,750	435,490	474,477	67,158	173,508	328,821	46,542
Finance income	1,487	2,542	8,607	1,218	4,357	8,856	1,253
Finance costs	(5,804)	(37,174)	(78,623)	(11,128)	(19,866)	(44,043)	(6,234)
Finance costs, net	(4,317)	(34,632)	(70,016)	(9,910)	(15,509)	(35,187)	(4,981)
Share of results of joint ventures and associates	(16,750)	80,093	359,427	50,874	(5,100)	211,744	29,970
Profit before income tax	72,683	480,951	763,888	108,122	152,899	505,378	71,531
Income tax expenses	(39,852)	(148,993)	(293,824)	(41,588)	(83,240)	(184,318)	(26,089)
Profit and total comprehensive income for the years.	<u>32,831</u>	<u>331,958</u>	<u>470,064</u>	<u>66,534</u>	<u>69,659</u>	<u>321,060</u>	<u>45,442</u>
Attributable to:							
Owners of the Company	31,356	354,831	668,041	94,556	94,057	472,309	66,850
Non-controlling interests	1,475	(22,873)	(197,977)	(28,022)	(24,398)	(151,249)	(21,408)
	<u>32,831</u>	<u>331,958</u>	<u>470,064</u>	<u>66,534</u>	<u>69,659</u>	<u>321,060</u>	<u>45,442</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2020

Revenue

Our revenue increased significantly from RMB590.5 million for the six months ended June 30, 2019 to RMB1,713.1 million (US\$242.5 million) for the six months ended June 30, 2020, mainly due to a significant increase in total GFA delivered from 65,123 sq.m. for the six months ended June 30, 2019 to 152,309 sq.m. for the six months ended June 30, 2020.

Cost of Sales

Our cost of sales increased significantly from RMB336.9 million for the six months ended June 30, 2019 to RMB1,056.7 million (US\$149.6 million) for the six months ended June 30, 2020, which was mainly attributable to the increase in total GFA delivered from 65,123 sq.m. for the six months ended June 30, 2019 to 152,309 sq.m. for the six months ended June 30, 2020.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB253.6 million for the six months ended June 30, 2019 to RMB656.4 million (US\$92.9 million) for the six months ended June 30, 2020. Our gross profit margin decreased from 42.9% for the six months ended June 30, 2019 to 38.3% for the six months ended June 30, 2020.

Other Income

Our other income decreased by 65.9% from RMB32.6 million for the six months ended June 30, 2019 to RMB11.1 million (US\$1.6 million) for the six months ended June 30, 2020.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB51.1 million for the six months ended June 30, 2019 to RMB160.8 million (US\$22.8 million) for the six months ended June 30, 2020, primarily attributable to an increase in marketing and advertising costs and staff costs, driven by the rapid growth in the our contracted sales and the number of sales staff during the period.

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB71.2 million for the six months ended June 30, 2019 to RMB177.9 million (US\$25.2 million) for the six months ended June 30, 2020, primarily due to (i) an increase in employee benefit expenses for our administrative staff as a result of the increase in monthly average headcount of administrative staff to cope with the expansion of our operations; and (ii) the listing expenses recognized during the six months ended June 30, 2020 and 2019, respectively.

Finance Income

Our finance income increased significantly from RMB4.3 million for the six months ended June 30, 2019 to RMB8.8 million (US\$1.2 million) for the six months ended June 30, 2020, primarily reflected the increase in interest income from our bank deposits as a result of the increase in our average bank deposits.

Finance Costs

Our finance costs increased significantly from RMB19.9 million for the six months ended June 30, 2019 to RMB44.0 million (US\$6.2 million) for the six months ended June 30, 2020, primarily attributable to the increase in interest-bearing debts for the purposes of land acquisition and properties development business.

Share of results of joint ventures and associates

We recorded a share of profits of our joint ventures and associates of RMB211.7 million (US\$30.0 million) for the six months ended June 30, 2020, compared to share of losses of our joint ventures and associates of RMB5.1 million for the six months ended June 30, 2019, the increase was mainly attributable to the increase in revenue from sales of properties of the joint ventures and associates as more projects were completed and delivered during the period by the joint ventures and associates of us.

Profit before Income Tax

As a result of the foregoing, our profit before tax increased significantly from RMB152.9 million for the six months ended June 30, 2019 to RMB505.4 million (US\$71.5 million) for the six months ended June 30, 2020.

Income Tax Expense

Our income tax expenses increased significantly from RMB83.2 million for the six months ended June 30, 2019 to RMB184.3 million (US\$26.1 million) for the six months ended June 30, 2020, primarily due to increase in profit before income tax. Our effective tax rates, excluding the share of results of joint ventures and associates, were 53% and 63% for six months ended June 30, 2019 and 2020, respectively.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, our profit and total comprehensive income increased significantly from RMB69.7 million for the six months ended June 30, 2019 to RMB321.1 million (US\$45.4 million) for the six months ended June 30, 2020.

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

Revenue

Our revenue increased by 19.2% from RMB1,659.6 million for the year ended December 31, 2018 to RMB1,978.0 million (US\$280.0 million) for the year ended December 31, 2019, mainly due to the increase in the total GFA delivered by 10.1% from 227,582.28 sq.m. in 2018 to 250,586.32 sq.m. in 2019, which was primarily attributable to the delivery of our properties of over 219,000 sq.m. in three development projects, namely Jing Shan Xiu Shui (景山秀水), Hua Qiao Xin Cheng (華僑新城) and phase II of Xiang Yu Hua Ting (香語華庭二期), coupled with the increase in ASP from RMB7,292 per sq.m. in 2018 to RMB7,894 per sq.m. in 2019, which was mainly attributable to our delivery of properties of phase II of Xiang Yu Hua Ting and Jing Shan Xiu Shui in 2019 with higher ASP than most of the properties we sold in other projects in 2018.

Cost of Sales

Our cost of sales slightly decreased by 1.3% from RMB1,148.9 million for the year ended December 31, 2018 to RMB1,133.5 million (US\$160.4 million) for the year ended December 31, 2019, which was mainly attributable to the decrease in construction costs by RMB102.8 million (US\$14.6 million) in 2019 as compared to that of 2018 and partially offset by the increase in land costs by RMB77.4 million (US\$11.0 million) in the same period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 65.4% from RMB510.7 million for the year ended December 31, 2018 to RMB844.5 million (US\$119.5 million) for the year ended December 31, 2019. Our gross profit margin also increased from 30.8% for the year ended December 31, 2018 to 42.7% for the year ended December 31, 2019. Please refer to “Description of certain major components of our consolidated statements of comprehensive income — Gross profit and gross profit margin” above for further details.

Other Income

Our other income increased by 11.7% from RMB69.2 million for the year ended December 31, 2018 to RMB77.2 million (US\$10.9 million) for the year ended December 31, 2019, primarily due to an increase in our management and consulting service income from our joint ventures and associates by RMB32.0 million as a result of the increase in number of property development projects developed in the form of joint venture and associates we collaborated in 2019, which required our management and consulting services during the year, and partially offset by the decrease in interest income from associates, joint ventures and business partners of certain jointly developed projects during the year.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly by 248.5% from RMB61.0 million for the year ended December 31, 2018 to RMB212.4 million (US\$30.1 million) for the year ended December 31, 2019, primarily due to the increase in advertising and promotion expenses as a result of the increase in number of new property projects we promoted for pre-sale of properties during the year, and the increase in employee benefit expenses of our selling and marketing staff due to the increase in the headcount of our selling and marketing staff to cope with the increase in number of projects during 2019.

General and Administrative Expenses

Our general and administrative expenses significantly increased by 178.1% from RMB90.1 million for the year ended December 31, 2018 to RMB250.5 million (US\$35.5 million) for the year ended December 31, 2019, primarily due to (i) the increase in employee benefit expenses as a result of a salary adjustment and the increase in headcount of administrative staff due to an increase in the number of our projects; (ii) we incurred RMB35.1 million (US\$5.0 million) management and consulting services fee for management services to our jointly developed projects with respect to, among others, strategic development and project management rendered by our non-controlling shareholders of our non-wholly owned subsidiaries and third parties; and (iii) increase in professional fees, entertainment and meeting expense as a result of our business expansion and increase in number of property projects.

Finance Income

Our finance income increased by 238.6% from RMB2.5 million for the year ended December 31, 2018 to RMB8.6 million (US\$1.2 million) for the year ended December 31, 2019, primarily reflected the increase in interest income from our bank deposits as a result of the increase in our average bank deposits.

Finance Costs

Our finance costs increased by 111.5% from RMB37.2 million for the year ended December 31, 2018 to RMB78.6 million (US\$11.1 million) for the year ended December 31, 2019, primarily due to the increase in interest expenses on (i) amounts due to non-controlling interests by RMB193.5 million attributable to the increase in cash advances from such non-controlling interests to finance the property development projects we collaborated and (ii) bank and other borrowings by RMB106.1 million to finance our new property development projects in 2019. Among our interest expenses incurred, RMB51.2 million and RMB324.9 million (US\$46.0 million) was capitalized for the year ended December 31, 2018 and 2019, respectively.

Share of results of joint ventures and associates

We recorded a significant increase in our share of profits of our joint ventures and associates from RMB80.1 million for the year ended December 31, 2018 to RMB359.4 million (US\$50.9 million) for the year ended December 31, 2019, mainly attributable to the completion of construction and delivery of properties in a number of our jointly developed projects.

Profit before Income Tax

As a result of the foregoing, our profit before tax increased by 58.8% from RMB481.0 million for the year ended December 31, 2018 to RMB763.9 million (US\$108.1 million) for the year ended December 31, 2019.

Income Tax Expense

Our income tax expenses increased by 97.2% from RMB149.0 million for the year ended December 31, 2018 to RMB293.8 million (US\$41.6 million) for the year ended December 31, 2019, primarily due to increase in profit before income tax coupled with the increase in LAT in the period. Our effective corporate income tax rate remained stable at 28.9% and 27.1% for 2018 and 2019 respectively.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income increased by 41.6% from RMB332.0 million for the year ended December 31, 2018 to RMB470.1 million (US\$66.5 million) for the year ended December 31, 2019.

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

Revenue

Our revenue increased by 282.5% from RMB433.9 million in 2017 to RMB1,659.6 million in 2018, primarily due to an increase in the total GFA delivered coupled with an increase in our ASP for our property development projects. The total GFA delivered increased by 193.8% from 77,452.74 sq.m. in 2017 to 227,582.28 sq.m. in 2018, which was mainly attributable to the delivery of certain of our residential properties of phase II of The Hong Kong Masterpiece (新港城), phase II of Hong Kong City (香江華庭), phase I of Xiang Yu Hua Ting (香語華庭) and Hua Qiao Xin Cheng (華僑新城). Our ASP also increased from RMB5,603 per sq.m. in 2017 to RMB7,292 per sq.m. in 2018, which was generally in line with the overall increase in the market price of residential properties in Changshu and Yancheng.

Cost of Sales

Our cost of sales increased by 239.0% from RMB338.9 million in 2017 to RMB1,148.9 million in 2018, which is attributable to the increase in construction costs by RMB654.4 million and increase in land costs by RMB155.8 million in relation to the projects delivered in 2018 as compared to that of 2017.

Gross Profit and Gross Profit Margin

Our gross profit increased by 437.5% from RMB95.0 million in 2017 to RMB510.7 million in 2018. Our gross profit margin also increased from 21.9% in 2017 to 30.8% in 2018. Please refer to “Description of certain major components of our consolidated statements of comprehensive income — Gross profit and gross profit margin” above for further details.

Other Income

Our other income increased significantly by 152.8% from RMB27.4 million in 2017 to RMB69.2 million in 2018, primarily due to (i) the recognition of management and consulting services income of RMB15.0 million in relation to the property development projects we developed through certain of our joint ventures and associates in 2018; and (ii) the increase in interest income from associates, joint ventures and other third parties by RMB25.0 million mainly attributable to the increase in interest income by RMB16.0 million from a deemed advance to an Independent Third Party which commenced in July 2017 and record full year of interest income in 2018. For further details of such deemed advance, please refer to “Business — Our

business model and cooperation with third-party business partners — Termination of cooperation with certain third-party business partners”.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 234.0% from RMB18.3 million in 2017 to RMB61.0 million in 2018, primarily due to the increase of employee benefit expenses of our selling and marketing staff as a result of the increase of our selling and marketing staff in 2018 and the increase in advertising and promotion expense for the ongoing sales of several new property projects or project phase in 2018.

General and Administrative Expenses

Our general and administrative expenses increased by 201.6% from RMB29.9 million in 2017 to RMB90.1 million in 2018, primarily due to (i) an increase in employee benefit expenses for our administrative staff as a result of the increase in headcount of administrative staff to cope with the expansion of our operations; and (ii) the listing expenses of RMB10.7 million recognized in 2018.

Finance Income

Our finance income increased by 70.9% from RMB1.5 million in 2017 to RMB2.5 million in 2018, primarily due to the increase in interest income from our bank deposits as a result of the increase in our average bank deposits.

Finance Costs

Our finance costs increased by 540.5% from RMB5.8 million in 2017 to RMB37.2 million in 2018, primarily due to the increase in interest expense on (i) bank and other borrowings and (ii) amounts due to non-controlling interests. Among such, interests of RMB4.5 million and RMB51.2 million was capitalized in 2017 and 2018, respectively.

Share of results of joint ventures and associates

We recorded share of losses of our joint ventures and associates which amounted to RMB16.8 million in 2017 while we recorded share of profits of RMB80.1 million in 2018, primarily because our jointly developed projects had not completed for delivery during 2017, while certain of our jointly developed projects were delivered in 2018.

Profit before Income Tax

As a result of the foregoing, our profit before tax increased substantially by 561.7% from RMB72.7 million in 2017 to RMB481.0 million in 2018.

Income Tax Expense

Our income tax expenses significantly increased by 273.9% from RMB39.9 million in 2017 to RMB149.0 million in 2018, which is in line with the substantial increase in our revenue in 2018. Our effective corporate income tax rate decreased from 32.2% for the year ended December 31, 2017 to 28.9% for the year ended December 31, 2018 was mainly due to the effect of withholding tax on undistributed profits for the year ended December 31, 2017.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income significantly increased by 911.1% from RMB32.8 million in 2017 to RMB332.0 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,				Six months ended June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Selected cash flow statement data						
Operating profit before working capital change	51,407	383,121	447,572	63,350	333,921	47,263
Change in working capital	66,796	(850,515)	(6,994,995)	(990,077)	594,729	84,179
Income tax paid	(42,319)	(158,933)	(208,608)	(29,527)	(327,436)	(46,346)
Net cash generated from/(used in) operating activities . .	75,884	(626,327)	(6,756,031)	(956,254)	601,214	85,096
Net cash (used in)/generated from investing activities . .	(1,308,683)	(524,822)	491,445	69,560	(377,905)	(53,489)
Net cash generated from financing activities	1,055,508	1,607,698	6,694,050	947,481	1,594,930	225,748
Net (decrease)/increase in cash and cash equivalents . . .	(177,291)	456,549	429,464	60,787	1,818,239	257,355
Cash and cash equivalents at the beginning of years. . . .	343,495	166,204	622,753	88,145	1,052,217	148,932
Cash and cash equivalents at the end of years	<u>166,204</u>	<u>622,753</u>	<u>1,052,217</u>	<u>148,932</u>	<u>2,870,456</u>	<u>406,287</u>

Net Cash Generated from/(Used in) Operating Activities

Our primary source of cash generated from operating activities is the proceeds we receive from the sales of our properties, including pre-sales of properties under development and completed properties. Our primary uses of cash in operating activities are amounts that we pay for our property development activities, including acquisitions of land use rights and construction work.

Our net cash flow generated from/(used in) operating activities is derived from our profit before income tax for the respective reporting period, as adjusted for (i) income statement items irrelevant to operating activities, such as finance income and costs, fair value gains on investment properties, and share of results of joint ventures and associates, and (ii) the effects of changes in working capital, such as increases or decreases in properties under development and completed properties held for sale, trade and other receivables and prepayments, contract liabilities and trade payables, bill payables and other payables etc.

For the six months ended June 30, 2020, our net cash generated from operating activities was RMB601.2 million (US\$85.1 million), which was the result of cash generated from operations of RMB928.7 million (US\$131.4 million) and income tax paid of RMB327.4 million (US\$46.3 million). Net cash used in operations in the six months ended June 30, 2020 was primarily attributable to the profit before income tax of RMB505.4 million (US\$71.5 million), adjusted mainly by the following items: (i) increase in properties under development and completed properties held for sale of RMB3,978.8 million (US\$563.2 million) primarily due to an increase in property development activities; (ii) increase in restricted cash of RMB1,013.6 million (US\$143.5 million); (iii) increase in trade and other receivables and prepayments of RMB597.3 million (US\$84.5 million), and partially offset by (iv) increase in contract liabilities of RMB5,572.0 million (US\$788.7 million) and (v) increase in trade and other payables of RMB639.8 million (US\$90.6 million).

For the year ended December 31, 2019, our net cash used in operating activities was RMB6,756.0 million (US\$956.2 million), which was the result of cash used in operations of RMB6,547.4 million and income tax paid of RMB208.6 million (US\$108.1 million). Net cash used in operations in 2019 was primarily attributable to the profit before income tax of RMB763.9 million (US\$108.1 million), adjusted mainly by the

following items: (i) increase in properties under development and completed properties held for sale of RMB11,203.1 million (US\$1,585.7 million) primarily due to an increase in property development activities; (ii) increase in restricted cash of RMB1,195.5 million (US\$169.2 million); (iii) increase in trade and other receivables and prepayments of RMB341.3 million (US\$48.3 million), and partially offset by (iv) increase in contract liabilities of RMB4,762.4 million (US\$674.1 million) and (v) increase in trade payables, bills payables and other payables of RMB1,028.5 million (US\$145.6 million).

For the year ended December 31, 2018, our net cash used in operating activities was RMB626.3 million, which was the result of cash used in operations of RMB467.4 million and income tax paid of RMB158.9 million. Net cash used in operations in 2018 was primarily attributable to the profit before income tax of RMB481.0 million, adjusted mainly by the following items: (i) increase in properties under development and completed properties held for sale of RMB2,171.6 million primarily due to an increase in property development activities; and (ii) increase in restricted cash of RMB189.0 million, and partially offset by (iii) increase in contract liabilities of RMB1,127.1 million; and (iv) increase in trade and other receivables and prepayment of RMB210.0 million.

For the year ended December 31, 2017, our net cash generated from operating activities was RMB75.9 million, which was the result of cash generated from operations of RMB118.2 million and income tax paid of RMB42.3 million. Net cash generated from operations in 2017 was primarily attributable to the profit before income tax of RMB72.7 million, adjusted mainly by the following items: (i) increase in contract liabilities of RMB1,311.1 million and (ii) increase in trade payables, bills payables and other payables of RMB522.1 million, and partially offset by (iii) increase in properties under development and completed properties held for sale of RMB909.3 million and (iv) increase in trade and other receivables and prepayments of RMB860.3 million.

Net Cash (Used in)/Generated from Investing Activities

Net cash used in our investing activities is primarily related to cash outflow in connection with our payments for acquisition of subsidiaries, advances to Controlling Shareholders, loans advanced to our joint ventures and associates and related parties. Net cash flows from our investing activities is primarily related to cash inflow in connection with repayment of advances to our joint ventures and associates and related parties.

For the six months ended June 30, 2020, we had net cash used in investment activities of RMB377.9 million (US\$53.5 million), which was the combined effect of (i) the increase in advances to non-controlling interests of RMB603.9 million (US\$85.5 million); and (ii) the increase in advances to joint ventures of RMB340.9 million (US\$48.3 million), and was partially offset by (iii) repayment of advances to joint ventures of RMB398.4 million (US\$56.4 million) and (iv) repayment of advances to non-controlling interests of RMB167.0 million (US\$23.6 million).

For the year ended December 31, 2019, we had net cash generated from investing activities of RMB491.4 million (US\$69.6 million), primarily comprising (i) repayment of advances to joint ventures and associates of RMB1,016.2 million (US\$143.8 million) and RMB535.0 million (US\$75.7 million), respectively; (ii) repayment of advances to non-controlling interests of RMB314.5 million (US\$44.5 million); (iii) repayment of advances to third parties of RMB214.5 million (US\$30.4 million), which was partially offset by (iv) the increase in advances to joint ventures and associates of RMB796.8 million (US\$112.8 million) and RMB328.1 million (US\$46.4 million), respectively; and (v) advances to non-controlling interests of RMB410.0 million (US\$58.0 million) during the same period.

For the year ended December 31, 2018, we had net cash used in investment activities of RMB524.8 million, which was the combined effect of (i) the increase in advances to Controlling Shareholders of RMB6,006.6 million; (ii) the increase in advances to joint ventures and associates of RMB1,659.8 million and RMB937.5 million respectively; (iii) increase in advances to non-controlling interests of RMB357.6 million; (iv) increase in advances to third parties of RMB355.7 million; (v) the increase in investment in joint ventures and associates of RMB232.0 million and RMB192.1 million respectively; and (vi) net cash paid for

acquisition of subsidiaries of RMB196.7 million, and was partially offset by (vii) repayment of advances to Controlling Shareholders of RMB5,954.4 million; (viii) repayment of advances to joint ventures and associates of RMB1,861.6 million and RMB892.6 million, respectively.

For the year ended December 31, 2017, we had net cash used in investing activities of RMB1,308.7 million, primarily comprising (i) the increase in advances to Controlling Shareholders of RMB4,023.2 million; (ii) advances to joint ventures of RMB1,262.9 million; (iii) increase in advance to third parties of RMB303.7 million which was partially offset by (iv) interest received of RMB8.4 million; (v) repayment of advances to Controlling Shareholders of RMB3,998.8 million; and (vi) repayment of advances to joint ventures of RMB509.4 million.

During 2017, 2018, 2019 and the six months ended June 30, 2020, we have, from time to time, made advances to our Controlling Shareholders, which are unsecured, interest free and repayable on demand, and according to our Controlling Shareholders, those advances were for their short term personal use. In respect of the cash flow relating to our investing activities, the advances from us to our Controlling Shareholders during the three years ended December 31, 2019 amounted to RMB4,023.2 million, RMB6,006.6 million and RMB112.0 million, respectively, while the repayment of advances from our Controlling Shareholders during the relevant periods amounted to RMB3,998.8 million, RMB5,954.4 million and RMB112.5 million, respectively. We had no amount due from our Controlling Shareholders as of December 31, 2019.

Net Cash Generated from Financing Activities

Cash generated from financing activities is primarily related to proceeds from bank and other borrowings, advances from Controlling Shareholders and advances from non-controlling interests. Cash used in financing activities is primarily related to repayment of bank and other borrowings and repayment of advances from Controlling Shareholders and non-controlling interests.

For the six months ended June 30, 2020, we had net cash generated from financing activities of RMB1,594.9 million (US\$225.7 million), primarily comprising of (i) proceeds from borrowings of RMB5,402.7 million (US\$764.7 million); and (ii) advances from non-controlling interest of RMB2,705.7 million (US\$383.0 million), which was partially offset by (iii) repayment of advances from non-controlling interest of RMB5,222.2 million (US\$739.2 million); and (iv) the repayment of borrowings of RMB1,320.1 million (US\$186.8 million).

For the year ended December 31, 2019, we had net cash generated from financing activities of RMB6,694.1 million (US\$947.5 million), primarily comprising of (i) advances from non-controlling interest of RMB7,771.2 million (US\$1,099.9 million); (ii) proceeds from borrowings of RMB2,831.5 million (US\$400.8 million), (iii) advances from associates and joint ventures of RMB837.4 million (US\$118.5 million) and RMB830.9 million (US\$117.6 million); (iv) capital injection from non-controlling interests of RMB482.1 million (US\$68.2 million), which was partially offset by (v) repayment of advances from non-controlling interest of RMB4,318.5 million (US\$611.2 million); (vi) the repayment of borrowings of RMB834.4 million (US\$118.1 million) and (vii) repayment of advances from joint ventures and associates of RMB470.2 million (US\$66.6 million) and RMB161.9 million (US\$22.9 million), respectively, and (viii) interest paid of RMB185.8 million (US\$26.3 million).

For the year ended December 31, 2018, we had net cash generated from financing activities of RMB1,607.7 million, primarily comprising (i) advances from non-controlling interests of RMB2,397.7 million; (ii) advances from joint ventures of RMB894.7 million; (iii) advances from associates of RMB522.7 million; and (iv) proceeds from borrowings of RMB480.8 million, which was partially offset by (v) repayment of advances from non-controlling interest of RMB1,176.0 million; (vi) repayment of advances from joint ventures of RMB598.0 million; (vii) repayment of advances from third parties of RMB423.8 million and (viii) repayment of advances from associates of RMB292.8 million.

For the year ended December 31, 2017, we had net cash generated from financing activities of RMB1,055.5 million, primarily comprising (i) advances from associates of RMB900.3 million; (ii) advances

from joint ventures of RMB530.7 million; and (iii) proceeds from borrowings of RMB305.0 million, which was partially offset by (iv) repayment of advances from associates of RMB396.9 million and (v) repayment of advances from joint ventures of RMB318.2 million.

During 2017, 2018, 2019 and the six months ended June 30, 2020, our Controlling Shareholders have, from time to time, made advances in form of cash and bills to us to meet our short-term working capital requirements such as making security deposit in auction of land parcels. Advances from Controlling Shareholders to us in respect of the cash flow relating to our financing activities for the three years ended December 31, 2019 and June 30, 2020 amounted to RMB160.6 million, RMB116.8 million, RMB353.4 million (US\$50.0 million) and nil, respectively, while the repayment of advances from our Controlling Shareholders during the relevant periods amounted to RMB144.8 million, RMB122.9 million, RMB339.9 million (US\$48.1 million) and RMB23.5 million (US\$3.3 million), respectively. Such advances from Controlling Shareholders are unsecured, interest-free and repayable on demand. As of June 30, 2020, amounts due to our Controlling Shareholder was nil.

Indebtedness

The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,				Six months ended June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Non-current						
Bank borrowings	135,300	386,400	1,076,099	152,312	3,608,005	510,680
Other borrowing	–	165,400	633,000	89,595	1,275,700	180,564
Lease liabilities.	279	3,502	3,782	535	2,229	315
	<u>135,579</u>	<u>555,302</u>	<u>1,712,881</u>	<u>242,442</u>	<u>4,885,934</u>	<u>691,559</u>
Current						
Bank borrowings	181,700	64,300	764,200	108,165	1,722,140	243,753
Other borrowing	523	240,000	380,000	53,786	330,000	46,708
Lease liabilities.	672	5,313	8,188	1,159	8,740	1,237
Amounts due to Controlling Shareholders.	65,150	9,981	23,539	3,332	–	–
Amounts due to related parties	21,824	11,119	–	–	–	–
Amounts due to joint ventures	212,536	509,177	869,944	123,133	894,836	126,656
Amounts due to associates.	592,355	822,213	1,497,735	211,991	1,387,598	196,402
Amounts due to non-controlling interests .	–	1,221,665	4,682,599	662,779	2,338,321	330,968
Amounts due to third parties	80,000	228,507	139,812	19,789	124,963	17,687
	<u>1,154,760</u>	<u>3,112,275</u>	<u>8,366,017</u>	<u>1,184,134</u>	<u>6,806,598</u>	<u>963,411</u>
Total	<u>1,290,339</u>	<u>3,667,577</u>	<u>10,078,898</u>	<u>1,426,576</u>	<u>11,692,532</u>	<u>1,654,970</u>

During 2017, 2018, 2019 and the six months ended June 30, 2020, our external financing was mainly used for financing our project construction and development over the periods. The increase in our total borrowings during 2017, 2018, 2019 and the six months ended June 30, 2020 was primarily due to the increase in financial needs in light of our development projects and cash flow planning. All of our borrowings were denominated in RMB and HK\$. All of our borrowings as of December 31, 2017, 2018 and 2019 were secured by certain land use rights, fixed assets, equity interests of certain group companies, properties under development, completed properties held for sales and investment properties, while certain of our bank and other borrowings amounted to RMB317.5 million, RMB450.7 million and RMB2,095.1 million (US\$296.5 million) were guaranteed by our subsidiaries and/or our Controlling Shareholders and their spouses. All of such bank and other borrowings were repaid and the guarantees by our Controlling Shareholders and their associates were released in June 2020.

As of June 30, 2020, our unutilized banking facilities and other borrowings amounted to RMB2,015.7 million (US\$285.3 million).

We are subject to certain customary restrictive covenants under our credit facilities with commercial banks. Please refer to Note 21(f) of our consolidated financial statements for the year ended December 31, 2017, 2018 and 2019. for details. Certain of our subsidiaries are also prohibited from merger, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior notification to or consent from the relevant banks. Certain of our banking facilities also contain cross default provisions. Please refer to “Risk Factors — Risks relating to our business — We may not have adequate financing to fund our future land acquisitions and property development, and such capital resources may not be available on commercially reasonable terms or at all” in this offering memorandum for details. However, we 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. We had not defaulted on any obligation in any material respect under our credit facilities which had a material adverse effect on our business and financial conditions during 2017, 2018, 2019 and the six months ended June 30, 2020 and up to the date of this offering memorandum, nor are we aware of any restrictions that will limit our ability to drawdown on our unutilized facilities. During 2017, 2018, 2019 and the six months ended June 30, 2020 and up to the date of this offering memorandum, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

Our other borrowings comprise of our borrowings from trust financing arrangements. As with many other property developers in the PRC, we also enter into financing arrangements with trust companies and other financial institutions in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments.

As of December 31, 2017, 2018, 2019 and June 30, 2020, the total amount of trust financing arrangements outstanding accounted for 0.2%, 47.4%, 35.5% and 22.1% of our total borrowings as of the same date. Please refer to “Business — Project financing — Trust financing arrangements” in this offering memorandum for further details of our trust financing arrangement as of December 31, 2019 and April 30, 2020.

The following table sets for the weighted average effective interest rates on our bank and other borrowings as of the date indicated.

	As of December 31,			As of
	2017	2018	2019	June 30,
				2020
				(unaudited)
Bank borrowings	6.2%	7.5%	7.7%	6.7%
Other borrowings	11.0%	11.2%	10.8%	11.5%
Weighted average effective interest rates. . . .	<u>6.3%</u>	<u>8.0%</u>	<u>8.8%</u>	<u>7.9%</u>

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

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Within 1 year	182,223	304,300	1,144,200	161,951	2,052,140	290,463
Between 1 and 2 years	46,300	538,400	1,525,799	215,963	3,920,395	554,894
Between 2 and 5 years	82,000	9,800	183,300	25,944	963,310	136,348
Over 5 years	7,000	3,600	—	—	—	—
	<u>317,523</u>	<u>856,100</u>	<u>2,853,299</u>	<u>403,858</u>	<u>6,935,845</u>	<u>981,705</u>

CONTINGENT LIABILITIES

The following table sets forth our guarantees (i) in respect of mortgage facilities for certain purchasers of our properties and (ii) provided by us for the borrowings of our joint ventures and associates as of the dates indicated.

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Guarantee in respect of mortgage facilities for certain purchasers	885,672	1,615,674	3,294,002	466,236	5,495,357	777,817
Guarantee provided for the borrowings of joint ventures and associates	230,000	1,239,757	905,447	128,158	226,012	31,990
	<u>1,115,672</u>	<u>2,855,431</u>	<u>4,199,449</u>	<u>594,393</u>	<u>5,721,369</u>	<u>809,807</u>

During 2017, 2018, 2019 and the six months ended June 30, 2020, we had arranged for bank financing for certain purchasers of our properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees periods start from the date of grant of mortgage, and terminate upon the earlier of (i) the issuance of the property ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of our properties. Pursuant to the terms of these guarantees, upon default of mortgage payments by these purchasers, the bank may demand us to repay the outstanding mortgage principal of the loan together with accrued interest owed by the defaulting purchasers to the banks. Under such circumstances, we are entitled to forfeit the relevant purchaser's deposit and resell the property to recover any amounts paid by us to the bank. We consider that the likelihood of default of payments by the purchasers is minimal and our credit risk is significantly mitigated.

We also provided guarantee for borrowings of our joint ventures and associates from time to time. The relevant borrowings were primarily from banks to finance property development projects of these joint ventures and associates, whereby the land use rights of the joint ventures and associates were pledged to the banks and our guarantee was provided in addition to the pledges. We consider that the likelihood of default in payments by the joint ventures and associates is minimal and therefore the financial guarantee measured at fair value is immaterial and no liabilities was recognized.

As of June 30, 2020, we had outstanding indebtedness of RMB11,692.5 million (US\$1,655.0 million). Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, debentures, charges, mortgages, material contingent liabilities or guarantees outstanding as of June 30, 2020. Saved as disclosed herein, there is no material change in our indebtedness position since June 30, 2020 up to the date of this offering memorandum. We intend to continue to finance portions of our development projects with bank and other borrowings, as we deem appropriate. Except for such bank and other borrowings, we currently do not have plans for other material external debt financing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of June 30, 2020, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties or related parties.

Except as disclosed in “Indebtedness”, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments as of June 30, 2020.

MARKET RISKS

Interest Rate Risk

Our interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates, while borrowings obtained at fixed rates expose us to fair value interest rate risk. We continue to closely monitor the trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our bank and other borrowings which were bearing at floating rates amounted to RMB120.0 million, RMB153.0 million, RMB2,133.2 million (US\$1,655.0 million) and RMB4,632.8 million (US\$655.7 million), respectively.

Credit Risk

Our credit risk is primarily attributable to trade and other receivables, pledge time deposits, cash and cash equivalents and restricted cash, amount due from a Controlling Shareholder, amounts due from associates and joint ventures and amounts due from related parties included in the consolidated statements of financial position, which represent our maximum exposure to credit risk in relation to its financial assets. Our management has credit policies in place to monitor the exposures to these credit risks on an ongoing basis.

In order to manage this risk, our bank deposits are mainly deposited with reputable banks which are all high-credit-quality financial institutions incorporated in the PRC. For credit exposures to customers, we closely monitor the collection of progress payments from customers in accordance with payment schedule agreed with our customers. We also have policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appreciate percentage of down payments. In addition, we have set out policies to ensure follow-up action is taken to recover overdue debts and we review regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment provisions are made for irrecoverable amounts.

For other receivables and amounts due from associates, joint ventures and related parties, we assess the credit quality of the counterparties by considering their financial position, credit history and other factors. Our management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. We are of the opinion that the risk of default by counterparties is low. We believe that there is no material credit risk inherent in our outstanding balance of trade and other receivables.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sales of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

We have a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local property market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. We will pursue such options based on assessment of relevant future costs and benefits. We believe that we will be able to maintain sufficient financial resources to meet its operation needs.

NON-GAAP FINANCIAL MEASURES

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

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

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

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

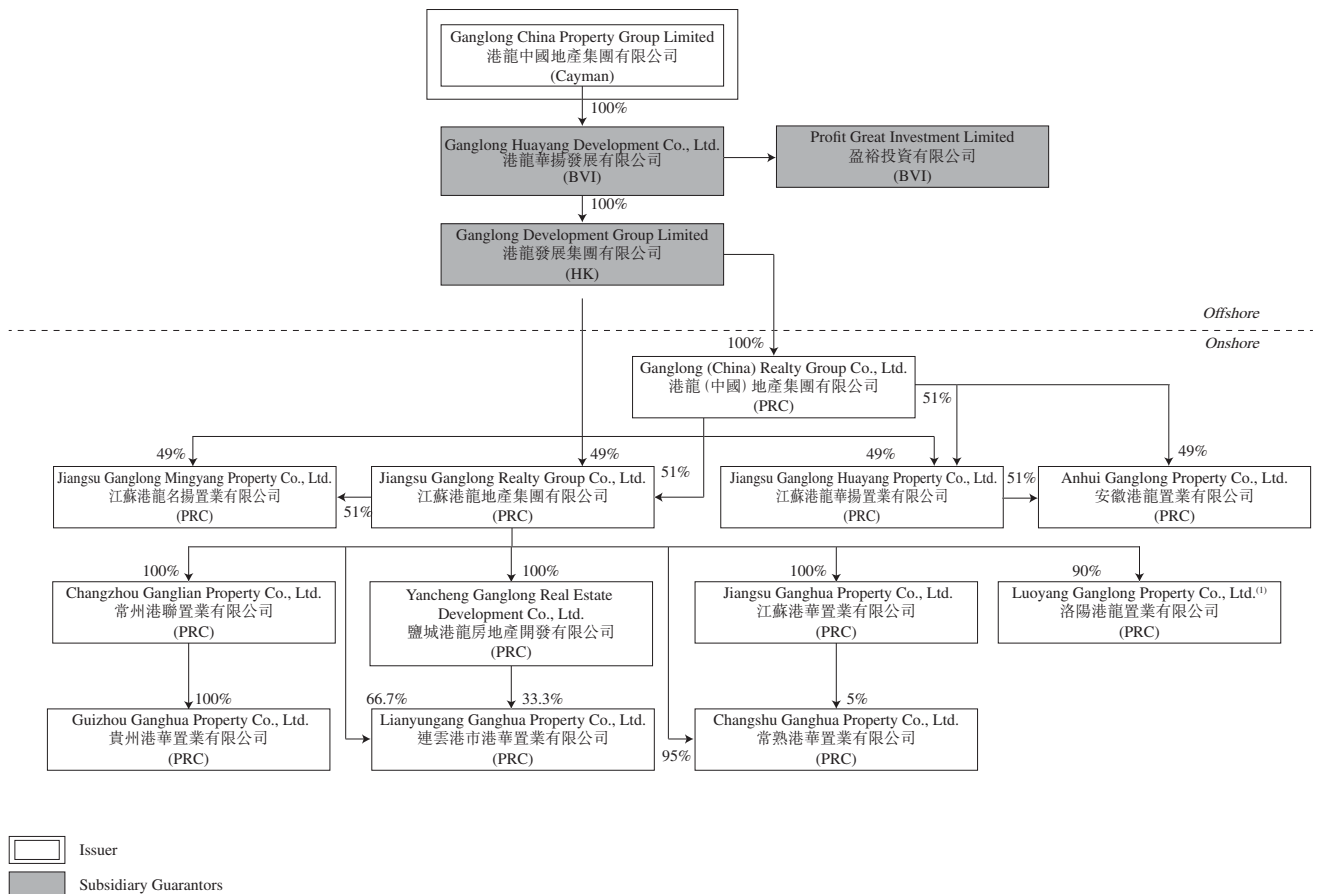
The following table reconciles our profit for the year under HKFRS to our definition of EBITDA for the years indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(in thousands)			
Profit before tax	72,683	480,951	763,888	108,123	152,899	505,378	71,533
Adjustments:							
Finance costs, net.	(4,317)	(34,632)	(70,016)	(9,910)	(15,509)	(35,187)	(4,980)
Depreciation of property, plant and equipment and right-of-use assets and amortization	3,470	5,622	12,400	1,755	5,347	8,815	1,248
Capitalized interests included in the cost of goods	160	–	9,949	1,408	1,985	151	21
EBITDA	80,630	521,205	856,253	121,196	175,740	549,531	77,782
EBITDA margin	18.6%	31.4%	43.3%	43.3%	29.8%	32.1%	32.1%

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

CORPORATE STRUCTURE

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



Notes:

- The remaining 10% equity interest in Luoyang Ganglong Property Co., Ltd. is held by an independent third party.
- As of the date of this offering memorandum, we had 121 subsidiaries, among which 33 subsidiaries were not wholly owned by us.

BUSINESS

OVERVIEW

We are an established property developer in the Yangtze River Delta Region focusing on the development and sales of residential properties and accompanying ancillary facilities, such as retail units, car parks and ancillary areas. Headquartered in Shanghai, we have established an active presence and a strategic regional coverage in the Yangtze River Delta Region, one of the most economically prosperous and vibrant regions in the PRC, which is expected to enjoy healthy economic growth.

We were founded in Changzhou in 2007 and since then have expanded our footprint in surrounding cities near the Yangtze River Delta Region including Changshu, Yancheng and Nantong in Jiangsu Province and Hangzhou, Jiaxing, Huzhou and Shaoxing in Zhejiang Province. Leveraging our brand, experience and execution capability in property development, we further expanded into Shanghai, a first-tier city, and major cities in Henan and Guizhou provinces in 2018. According to C&W, we ranked 83rd among the property developers in the residential property market in the PRC in terms of contracted GFA sold in 2019.

Adhering to our core values of “striving for innovation, building with integrity” (用心創新，以誠築城), we believe that we have built an excellent reputation in our markets for constant innovation, quality of our various product series and credibility. Our targeted customer groups mainly include (i) first-time homebuyers, (ii) mid-range home-upgraders and (iii) high-end home-upgraders. Depending on the local market demand and government development plans, we intend to meet the demand of each of our targeted customer groups by enriching our product series and improving our product quality and design. We were awarded with “Enterprise of Observing Contract and Valuing Credit (守合同重信用企業)” during 2015 to 2018, “2018 Advanced and Comprehensive Inspection Award in the 1st Construction Market of Changzhou City (常州市2018年第一次建築市場綜合大檢查綜合先進獎)” in 2018, “2018 Changzhou Star Enterprise (2018年度常州明星企業)” in 2019 and “2019 Changzhou Five Star Enterprise (2019年度常州五星級明星企業)” in 2020.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we derived all of our revenue from development and sales of properties. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue from the development and sales of properties amounted to RMB433.9 million, RMB1,659.6 million, RMB1,978.0 million (US\$280.0 million), RMB590.5 million and RMB1,713.1 million (US\$242.5 million) respectively, and our net profit amounted to RMB32.8 million, RMB332.0 million, RMB470.1 million (US\$66.5 million), RMB69.7 million and RMB321.1 million (US\$45.4 million), respectively.

We intend to continue to adopt our diversified land acquisition strategy to enrich and optimize our land reserves and support our business growth. As of June 30, 2020, we had 56 development projects in 21 cities, developed by our subsidiaries, joint ventures and associated companies with an aggregate land reserves of 5,403,607 sq.m., including (i) completed properties with a saleable and leasable GFA of 150,297 sq.m., (ii) properties under development with an aggregate planned GFA of 5,018,118 sq.m., and (iii) properties held for future development with an aggregate estimated GFA of 235,192 sq.m. We believe that such diversified land acquisition strategy will allow us to reinforce our business strategy of focusing on the Yangtze River Delta Region and strategically expanding into new markets and to accumulate strategically located land reserves.

RECENT DEVELOPMENTS

Land Acquisition

Subsequent to June 30, 2020, we have acquired 13 parcels of land. The following table sets forth certain information regarding these projects:

City	Land parcel	Time of Acquisition	Type of Properties	Our equity interest	Site Area	Planned Total GFA	Attributable consideration
				(%)	(sq.m.)	(sq.m.)	(RMB in million)
Nanjing . . .	2020G17	July 2020	Residential	25	60,138	132,304	202.5
Huizhou . . .	ZKA-044-03	July 2020	Residential	51	30,507	91,521	157.7
Fuyang	Chengnan 2020-12 [#] Plot	July 2020	Residential	57	218,655	427,263	1,071.1
Huangshan . .	Old town 2014 Plot	July 2020	Residential and Commercial	50	46,780	70,170	322.8
Huan'an . . .	Huai'an 2020-12 Plot	August 2020	Commercial	51	50,476	131,238	288.9
Yiwu	Niansanli street 2020-77 Plot	August 2020	Commercial	60	19,633	43,193	276.6
Yancheng . .	Yannan High-tech Zone 20201601 Plot	August 2020	Commercial	51	43,865	118,436	648.7
Hefei	Changfeng CF202014 [#] Plot	September 2020	Residential	60	66,067	132,133	422.8
Chengdu . . .	SLG-(07)-2020-008 Plot	September 2020	Residential	50	50,514	101,029	587.0
Nantong . . .	Rugao R2020097 Plot	October 2020	Commercial	25	61,164	134,561	170.0
Nanjing . . .	NO. Lishui 2020G39 Plot	October 2020	Commercial	40	28,483	62,663	152.0
Nantong . . .	Hai'an 2020033001 [#] Plot	October 2020	Commercial	35	61,381	147,314	177.0
Zengcheng . .	Shitan Nanbei street West A20095 Plot	November 2020	Commercial	60	196,435	589,305	2,298.0

A respiratory illness caused by a novel coronavirus (COVID-19) has spread across the world since early 2020. In response to the COVID-19 pandemic, the PRC government has imposed measures across the PRC including, but not limited to, travel restrictions and quarantine for travelers or returnees, whether infected or not, and an extended shutdown of certain business operations. The COVID-19 outbreak poses potential risks to our business operation and financial condition. As of the date of this offering memorandum, the COVID-19 pandemic did not have any material adverse impact on our financial position or results of operation, including the construction and pre-sale of property projects. See “Risk Factors — Risks Relating to the PRC — The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics and pandemics.”

OUR STRENGTHS

We believe the following competitive strengths are key to our many achievements and distinguish us from our competitors:

We are an established residential property developer rooted in the Yangtze River Delta Region

We were founded in Changzhou in 2007 and since then have expanded our footprint in surrounding cities near the Yangtze River Delta Region including Changshu, Yancheng, Nantong and Nanjing in Jiangsu Province and Hangzhou, Jiaxing, Huzhou and Shaoxing in Zhejiang Province. Leveraging our brand, experience and execution capability in property development, we further expanded into Shanghai, a first-tier city, and major cities in Henan and Guizhou provinces in 2018. As of June 30, 2020, we had a diverse project portfolio of 56 development projects, developed by our subsidiaries, joint ventures and associated companies

across 21 cities. As a result, we have established an active presence and a strategic regional coverage in the Yangtze River Delta Region, one of the most economically prosperous and vibrant regions in the PRC, which is expected to enjoy healthy economic growth continuously.

Along with our expansion, we have experienced significant growth in revenue and profit in recent years.

- we have successfully executed our expansion plan to establish an active presence in the Yangtze River Delta Region;
- we have established an excellent reputation and a strong brand in the cities where we have property development projects;
- we have established an efficient organizational structure with a well-established and streamlined process for our property development projects;
- we have a diversified land acquisition strategy; and
- we have an experienced and motivated senior management team members.

We believe that our strategic regional coverage in the Yangtze River Delta Region has laid a solid foundation for our expansion into other new markets outside of the region, such as the Central Region in the PRC. We will strive to leverage our excellent reputation, strong brand, efficient organization and management structure, experience, expertise and knowledge to expand into these new markets. As such, we believe that we are well-positioned to capitalize on the opportunities and to become a major player in the property development market in the PRC.

We have established an excellent reputation and a strong brand in the cities where we have property development projects

Adhering to our core values of “striving for innovation, building with integrity” (用心創新，以誠築城), we believe that we have built an excellent reputation in our markets for constant innovation, quality of our various product series and credibility among (i) the local governments, (ii) our business partners, (iii) our suppliers and customers; and (iv) our employees. Our excellent reputation has been reflected in our key awards and recognitions as set out in the subsection headed “— Awards and Recognitions”. For example, we were recognized as an “Enterprise of Observing Contract and Valuing Credit (守合同重信用企業)” by a number of local Administration for Industry and Commerce consecutively in 2015, 2016, 2017 and 2018 and a “Grade AAA Trusted Enterprise (信用(合同)AAA級企業)” by Changzhou City Enterprise of Real Estate Integrity Review Committee consecutively in 2014 and 2015.

We have established a strong brand in many of the cities where we have property development projects. We were awarded with 2018 Changzhou Quality Engineering Award “Golden Dragon Cup” (2018年常州市優質工程獎“金龍盃”) by the Housing and Urban-Rural Construction Bureau of Changzhou City, “2018 Changzhou Star Enterprise (2018年度常州明星企業)” in 2019, “2019 Changzhou Five Star Enterprise (2019年度常州五星級明星企業)” in 2020, “2018 Advanced and Comprehensive Inspection Award in the 1st Construction Market of Changzhou City (常州市2018年第一次建築市場綜合大檢查綜合先進獎)” by the Urban-Rural Construction Bureau of Changzhou City in 2018.

We have established an efficient organizational structure with a well-established and streamlined process for our property development projects

We have adopted a two-tier organizational structure, with our headquarters as the first tier and local project companies as the second tier. Each tier is vested with separate duties and responsibilities. We believe that such demarcation of roles and functions between our headquarters and local project companies maximizes our operational efficiency in managing multiple projects and allows for scalability as we expand our business.

We generally manage our property development projects through a well-established and streamlined process with major stages characterized by investment, financing, management (operations) and exits (marketing) and a throughout operation indication system. We believe that such property development process based on the concept of “investment, financing, operation and marketing (投融管銷)” serves as a great vitality and accountability mechanism for us, which allow us to maintain the product quality, improve operational efficiency, ensure project development progress, reduce construction cost, and ultimately increase the return to our shareholders.

Investment: We have developed a indicator-based evaluation system when evaluating projects for investment. Prior to an investment, the key indicators that we consider include estimated revenue and land costs ratio, estimated gross profit and net profit margins, financing sources and costs, expected launch time, destocking cycle and positive cash flow-back cycle. We generally track and update these key indicators for a project throughout the pre-investment, investment and post-investment stages, with a view to achieving faster turnover, higher profitability and lower risks.

Financing: We have implemented robust financial policies and diversified financing sources to meet our capital demand. We finance our operations primarily through internally generated cash flow including proceeds from the pre-sale of our properties, provision of management services and property leasing, as well as external financings, such as borrowings from commercial banks, trust financing arrangements. To maintain stable financing sources and low financing cost, we have established close partnerships with a number of banks and trust companies in the PRC.

Operation: We have placed great importance in tracking the main workflows in all phases of a project cycle, with responsibility assigned to specific functional centers at our headquarters and local project companies, as well as the completion criteria and deadlines. For example, we typically require our project development team to commence construction within four to six months and expect them to complete a project within 21 to 48 months after acquiring the relevant land use rights. In addition, we typically outsource different types of design work and the construction work, which we believe would allow us to better focus on our business as a property developer.

Marketing: We have established a sales management center at our headquarters to manage our overall sales and marketing efforts starting from the early stage to ensure that our property developments are well positioned and priced by providing valuable information relating to our target market, local pricing information, pricing of competitive projects, customers and estimated sales velocity. We have also established our own sales and marketing teams at the local project companies for the sale of most of our properties. We believe by establishing and strengthening our own sales and marketing teams, and leveraging the supports of our functional centers at the headquarters and other departments at the local project companies, we are better positioned to gain deeper understanding of the market in order to improve our marketing and pricing efforts, and better able to identify industry trends and customer demands that can benefit in optimizing our products.

We have a diversified land acquisition strategy

Leveraging our deep understanding of the property markets in the Yangtze River Delta Region, we have strategically selected and acquired land use rights that we believe will enable us to further develop and enhance our presence in these markets, particularly in Jiangsu Province and Zhejiang Province, and help our strategic expansion into new markets, such as the Central Region in the PRC.

Furthermore, we have adopted a diversified land acquisition strategy, including (i) the primary market through bidding in public tender, auction or listing-for-sale process and (ii) acquisition of equity interests or investments in companies that hold land use rights. Such diversified strategy allows us continue to strengthen our presence in the Yangtze River Delta Region through land acquisition in the primary market and at the same time to strategically expand into new markets through cooperation with our third-party business partners in our jointly developed projects. Many of these third-party business partners are sizeable and reputable property developers with experience in developing large-scale and high quality projects.

In terms of our business performance, this method allows us to leverage our third-party business partners' local network, market intelligence and knowledge on local government policies and regulations. In terms of our financial position, our third-party business partners would contribute capital for our jointly developed projects, which would (i) lessen our cash flow pressure on land bidding; (ii) lower our share of the capital investment and development costs of the property development projects; and (iii) allowed us to take part in more property development projects and achieve risk diversification.

We have a stable, experienced and motivated senior management team

Since our establishment, our executive Directors and key members of our senior management have been making great contributions to our business growth. We believe the stability, experience, motivation, professionalism, loyalty and aspirations of our management are the key safeguards of our steady progress.

The stability and experience of our management team are evidenced by all of our executive Directors having served with us since our establishment and all of them have over 10 years of experience in property development and corporate management. In particular, Mr. Lui Wing Wai, our founder, executive Director, CEO and Chairman, is a seasoned entrepreneur with over 20 years of managerial and operational experience. He is also a member of the 14th committee of the Changzhou Chinese People's Political Consultative Conference, executive vice president of Changzhou Overseas Chinese Entrepreneurs Association and executive director of Jiangsu Service Association for Enterprises Invested by Hong Kong Investors.

Most of the key members of our senior management have over 10 years of experience in particular fields, such as construction, engineering, finance, accounting and management. Their rich industry expertise and valuable industry experience enable us to grasp the potential opportunities and identify market risks. We have established a training and development department under our integrated management center at our headquarters to provide our employees with continuous occupation training to improve their capabilities. We regularly evaluate our employees' performance based on the performance standards, in order to improve their work efficiency and enhance their execution capability. We believe that we can attract and retain talents with our compensation and reward policies.

OUR STRATEGIES

Our goal is to become a major residential property developer in China. To achieve this target, we plan to implement the following strategies:

Focus on the Yangtze River Delta Region and strategically expand into other new markets outside of the region, such as the Central Region

We plan to continue to focus on the Yangtze River Delta Region and leverage our existing regional coverage in the Yangtze River Delta Region to expand into other new markets outside of the region, such as the Central Region.

Adhering to our mission of "casting new city landscapes," our residential projects have been typically situated in new markets in second-tier cities and core districts in third-tier cities in the Yangtze River Delta Region with access to high-speed rail stations. According to C&W, this region is the largest economic circle in the PRC with relatively low urbanization rate and expected to continue to enjoy healthy economic growth in term of GDP the next two to five years. We consider that the healthy economic growth and lower urbanization rate are key drivers for further growth in these regional real estate markets. As such, we intend to leverage our strengths and devote our resources to expand our business in the Yangtze River Delta Region with a view to further increasing our market share in this region.

Furthermore, we aim to strategically expand into core districts of cities in new markets with healthy economic growth and low urbanization rate. According to C&W, a number of provinces in the Central Region in the PRC, such as Anhui Province, Hubei Province and Hunan Province, have relatively low urbanization

rate and are expected to have healthy economic growth in terms of GDP and population in the next two to five years. Also, a number of these provinces are located nearby the Yangtze River Delta Region. As such, we intend to leverage our current regional coverage in the Yangtze River Delta Region and devote our resources to expand our business in these provinces within the Central Region, particularly in those cities with access to high-speed rail stations.

Consumption upgrade and city clusters development are the two growth drivers for the real estate industry in the future. After considering the economic development, market capacity, population growth rate and income level of different regions in China, we have decided to expand our footprint in eastern China and establish ground in the southwestern China and central China.

Continue to adopt our diversified land acquisition strategy to enrich our land reserves

We intend to continue to adopt our diversified land acquisition strategy to enrich and optimize our land reserves. We acquire our land in the primary market through public tender, auction or listing-for-sale process in locations where we have established operation, such as cities in the Yangtze River Delta Region, and hence possess better local market intelligence. We also acquire our land through acquisition of equity interests or investments in companies that hold land use rights and cooperation with third-party business partners as we strategically expand into a new geographical market where we may face increased risks due to its possible difference in regulatory requirements, competitive conditions or consumer preferences from our existing markets. We believe that such diversified land acquisition strategy will allow us to reinforce our business strategy of focusing on the Yangtze River Delta Region and strategically expanding into other new markets outside of the region and to accumulate strategically located land reserves.

Continue to improve our product quality and design to position our products to meet the evolving market demand and create value for our customers

With our core values of “striving for innovation, building with integrity” (用心創新，以誠築城), we believe that meeting the evolving market demand and creating value for our customers by improving our product quality and design of our products are keys to our profitability. Our targeted customer groups mainly include (i) first-time homebuyers, (ii) mid-range home-upgraders and (iii) high-end home-upgraders. Depending on the local market demand and government development plans, we intend to meet the demand of each of our targeted customer groups by enriching our product series and improving our product quality and design.

For example, for our customers who are first-time homebuyers, we aim to design our products with more practical utilization of the GFA and floorplan and furnished with standard interior decoration. For our customers who are mid-range home-upgraders, we aim to design our products with features catering for larger families and furnished with standard interior decoration. For our customers who are high-end home-upgraders, we aim to design our products with higher GFA and furnished with premium interior decoration. Furthermore, we intend to design our projects with community facilities, such as car parks and ancillary facilities, that meet the need of our targeted customers groups.

Continue to improve our operational and cost efficiency

We intend to continue to improve our operational and cost efficiency by the following measures:

- further optimize and streamline our property development process and formalize and standardize key procedures in each major development stages with a view to achieving better quality, progress and cost controls;
- continue to adopt prudent financial policies and management practices and closely monitor important financial indicators, such as gearing ratios, interest rates, turnover ratios, cash status and maturity status of borrowing;

- proactively manage our capital structure through diversified financing sources to meet our capital demand so as to improve our costs, cash flow and working capital; and
- prioritize our financial resources towards what we determine to be the profitable opportunities by selectively targeting areas which we believe has high growth potential and acquiring land there at competitive costs.

Attract, retain and motivate talented personnel through systemic training programs, proactive recruitment and competitive remuneration packages

We are committed to building a highly professional and specialized team with strong execution capabilities that shares and approves our values, vision and corporate culture. We believe our future success and growth strategies depend on our ability to attract and retain talented professionals.

We plan to continue to strategically increase the percentage of specialized talents in our employees, including those focusing on research and design of standardized products, refined costs management and quality control and engineering management. To attract and retain talented professionals, we offer systematic and comprehensive training programs to our employees, providing various internal and external trainings to our employees at different seniority levels and specialized fields of work. We also plan to continue to offer competitive remuneration packages to attract and retain talented professionals.

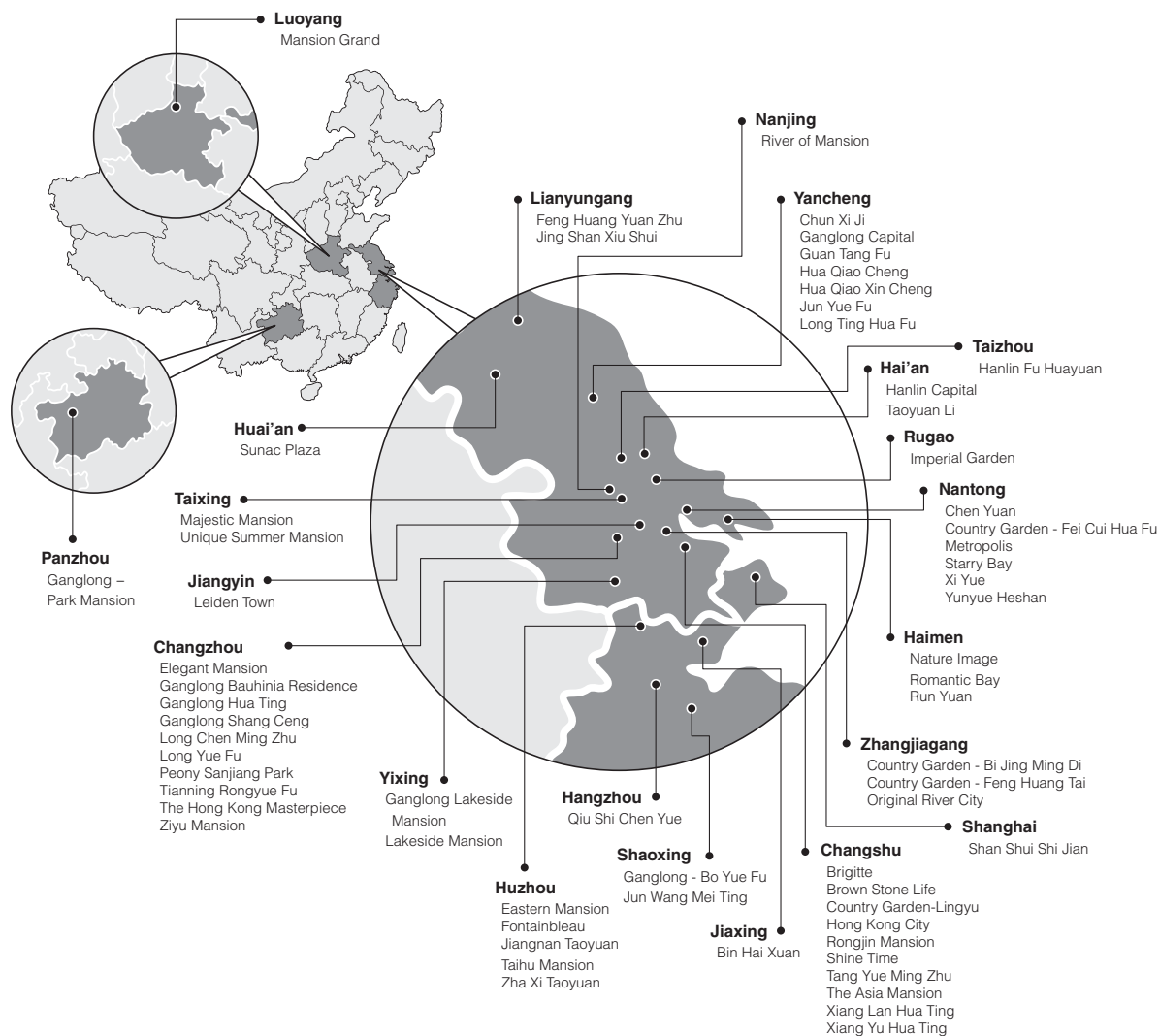
Furthermore, we commenced operation of our office in Shanghai headquarters in 2019. As Shanghai is one of the well-established real estate markets in the PRC and has a number of key national universities, we believe we would be able to attract some of the high-quality real estate professionals located there to join us.

OUR BUSINESS

We are an established property developer in the Yangtze River Delta Region focusing on the development and sales of residential properties and accompanying ancillary facilities, such as retail units, car parks and ancillary areas. Headquartered in Shanghai, we have an active presence in the Yangtze River Delta Region. Historically, we have only developed one commercial property, namely Ganglong Shang Ceng (港龍尚層), which is located in Changzhou city, Jiangsu. Under our property development projects that predominantly for residential use, commercial property mainly refers to retail units, adjacent to our residential properties. In 2017, 2018, 2019 and the six months ended June 30, 2020, we derived our revenue from development and sale of residential properties. We also derived a very small portion of our income from leasing out a small number of the accompanying and unsold retail units and car parks developed by us. For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our revenue from the development and sales of properties amounted to RMB433.9 million, RMB1,659.6 million, RMB1,978.0 million (US\$280.0 million), RMB590.5 million and RMB1,713.1 million (US\$242.5 million), respectively.

OUR PROJECT PORTFOLIO

The following map shows the geographical locations of our development projects as of June 30, 2020:



As of June 30, 2020, we had a diverse project portfolio of 56 development projects in 21 cities, developed by our subsidiaries, joint ventures and associated companies with an aggregate land reserves of 5,403,607 sq.m., including (i) completed properties with a saleable and leasable GFA of 150,297 sq.m., (ii) properties under development with an aggregate planned GFA of 5,018,118 sq.m., and (iii) properties held for future development with an aggregate estimated GFA of 235,192 sq.m.. In the 2017, 2018, 2019 and the six months ended June 30, 2020, we had obtained all the requisite land use rights or entered into valid land grant contracts and, where relevant, building ownership certificates or real estate right certificates for our completed projects, projects under development and projects held for future development.

We focus our business activities across the Yangtze River Delta Region, one of the most economically prosperous and vibrant regions in the PRC. Of all the aforementioned projects, 54 projects are located in the Yangtze River Delta Region, consisting of 11 projects are located in Changzhou, six projects are located in Changshu, and five projects are located in Nantong.

Classification of Our Residential Properties

We categorize our residential properties as follows:

- High-rise residential units (高層住宅) — residential buildings that typically have ten storeys or more with the GFA per unit ranging from 85 sq.m. to 160 sq.m.;
- Mid-rise residential units (中高層住宅) — residential buildings that typically have seven to nine storeys with the GFA per unit ranging from 85 sq.m. to 160 sq.m.;
- Multi-storey apartments (多層住宅) — residential buildings that typically have four to six storeys with the GFA per unit ranging from 85 sq.m. to 160 sq.m.; and
- Townhouses (聯排別墅) — residential houses that are connected to one and other and each such house typically has three to four storeys with the GFA per unit ranging from 150 sq.m. to 300 sq.m.

Land reserves

Our land bank represents the sum of (i) total GFA available for sale or lease by us for completed properties which also includes completed GFA that have been pre-sold but not yet delivered, (ii) total planned GFA for properties under development, and (iii) total estimated GFA for properties held for future development. The total land bank attributable to us represents the total land bank of projects developed by our subsidiaries and the land bank of projects developed by our joint ventures and associates attributable to us.

The following table sets out the GFA breakdown of the total land reserve attributable to us by geographical location as of June 30, 2020:

Property projects developed by our subsidiaries ⁽²⁾	Number of projects	Completed GFA available for sale/leasable	GFA under development	Planned GFA of future development	Total land reserve attributable to us ⁽¹⁾	% of total land reserve attributable to us	
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)		
Anhui	Wuhu	1	–	93,353	–	93,353	2%
Jiangsu	Changshu	3	88	211,646	–	211,734	4%
	Changzhou	7	54,503	415,247	–	469,750	9%
	Hai'an	2	–	362,667	–	362,667	7%
	Haimen	1	–	29,382	66,198	95,580	2%
	Huai'an	1	–	603,635	–	603,635	10%
	Lianyungang	1	12,201	–	–	12,201	0%
	Nanjing	1	–	48,864	–	48,864	1%
	Nantong	2	–	204,550	–	204,550	4%
	Taixing	1	–	172,925	–	172,925	3%
	Taizhou	1	–	190,214	–	190,214	4%
	Yancheng	5	1,936	390,489	111,174	503,599	9%
	Yixing	1	–	188,878	–	188,878	3%
	Henan	Luoyang	1	–	192,223	–	192,223
Shanghai	Shanghai	1	–	78,095	–	78,095	1%
Zhejiang	Hangzhou	1	–	81,117	–	81,117	2%
	Huzhou	2	–	497,953	–	497,953	9%
	Shaoxing	2	–	405,392	–	405,392	8%
Guizhou	Panzhou	1	–	141,653	–	141,653	3%
	Sub-total	35	68,728	4,308,283	177,372	4,554,383	85%

Property projects developed by our joint ventures ⁽²⁾		Number of projects	Completed GFA available for sale/leasable GFA	GFA under development	Planned GFA of future development	Total land reserve attributable to us ⁽¹⁾	% of total land reserve attributable to us
			(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Anhui	Wuhu	1	–	91,440	–	91,440	2%
Jiangsu	Changshu	2	–	155,357	–	155,357	3%
	Changzhou	2	3,858	–	57,820	61,678	1%
	Nantong	3	8,181	15,808	–	23,989	0%
	Taixing	1	42,879	32,207	–	75,086	1%
	Yixing	1	14,939	26,099	–	41,038	1%
Zhejiang	Huzhou	3	3,817	137,827	–	141,644	3%
Sub-total		13	73,674	458,738	57,820	590,232	11%

Property projects held by our associated companies ⁽²⁾		Number of projects	Completed GFA available for sale/leasable GFA	GFA under development	Planned GFA of future development	Total land reserve attributable to us ⁽¹⁾	% of total land reserve attributable to us
			(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Jiangsu	Changshu	1	–	24,926	–	24,926	0%
	Changzhou	2	–	129,663	–	129,663	2%
	Jiangyin	1	–	67,685	–	67,685	1%
	Lianyungang	1	–	28,823	–	28,823	1%
	Rugao	1	6,006	–	–	6,006	0%
	Yancheng	2	1,889	–	–	1,889	0%
Sub-total		8	7,895	251,097	–	258,992	4%
Total		56	150,297	5,018,118	235,192	5,403,607	100%

(1) Total land reserve equals to the sum of (i) GFA available for sale, GFA pre-sold but not yet delivered and leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development.

(2) For projects developed by our wholly-owned and non-wholly-owned subsidiaries, 100% of total GFA will be accounted for the respective project as such projects are managed by us, and such wholly-owned and non-wholly-owned subsidiaries are consolidated in the financial statements of us. For projects held by our joint ventures or our associated companies, total GFA will be adjusted by our equity interest in the respective project.

Portfolio of Our Property Development Projects

The following table sets forth a summary of our property projects and project phases developed, including projects and project phases held for future developments as of June 30, 2020.

Number	Projects	Site Area (in sq.m.)	Completed GFA available for sale/ pre-sold but not yet delivered/that are leasable (in sq.m.)	Total GFA Under Development ⁽¹⁾ (in sq.m.)	Total Estimated GFA for Future Development ⁽¹⁾ (in sq.m.)	Total Land Reserve ⁽²⁾ (in sq.m.)	Our Interest in the Project (%)
Property Projects Developed by Our Subsidiaries⁽³⁾							
Jiangsu							
<i>Changshu</i>							
1	Tang Yue Ming Zhu (棠悦名築)	62,585	–	190,399	–	190,399	100.0
2	Xiang Lan Hua Ting (香瀾華庭)	12,151	–	21,247	–	21,247	100.0
3	Xiang Yu Hua Ting (香語華庭)	60,221	88	–	–	88	100.0
<i>Changzhou</i>							
4	Ganglong Bauhinia Residence (港龍紫荊城)	43,510	8,508	–	–	8,508	100.0
5	Ganglong Hua Ting (港龍華庭)	23,900	3,037	–	–	3,037	100.0
6	Ganglong Shang Ceng (港龍尚層)	8,090	5,392	–	–	5,392	100.0
7	Long Chen Ming Zhu (龍宸銘著)	67,402	–	191,646	–	191,646	100.0
8	Long Yue Fu (龍悅府)	27,590	–	66,347	–	66,347	100.0
9	The Hong Kong Masterpiece (新港城)	132,460	37,566	70,987	–	108,553	100.0
10	Ziyu Mansion (紫御府)	24,312	–	86,265	–	86,265	100.0
<i>Hai'an</i>							
11	Hanlin Capital (翰林首府)	57,633	–	202,975	–	202,975	100.0
12	Taoyuan Li (桃源里)	49,314	–	159,692	–	159,692	100.0

Number	Projects	Site Area (in sq.m.)	Completed GFA available for sale/ pre-sold but not yet delivered/that are leasable	Total GFA Under Development ⁽¹⁾ (in sq.m.)	Total Estimated GFA for Future Development ⁽¹⁾ (in sq.m.)	Total Land Reserve ⁽²⁾ (in sq.m.)	Our Interest in the Project (%)
			(in sq.m.)				
<i>Haimen</i>							
13	Nature Image (泊翠瀾境)	47,078	–	29,382	66,198	95,580	100.0%
<i>Huai'an</i>							
14	Sunac Plaza (融創廣場)	188,564	–	603,635	–	603,635	100.0
<i>Lianyungang</i>							
15	Jing Shan Xiu Shui (景山秀水)	53,063	12,201	–	–	12,201	100.0
<i>Nanjing</i>							
16	River of Mansion (時光泊月園)	28,188	–	48,864	–	48,864	100.0
<i>Nantong</i>							
17	Chen Yuan (晨園)	38,237	–	125,991	–	125,991	100.0
18	Xi Yue (熙悅)	24,537	–	78,559	–	78,559	100.0
<i>Taixing</i>							
19	Unique Summer Mansion (桃源府)	66,804	–	172,925	–	172,925	100.0
<i>Taizhou</i>							
20	Hanlin Fu Huayuan (翰林府花園)	53,700	–	190,214	–	190,214	100.0
<i>Yancheng</i>							
21	Chun Xi Ji (春溪集)	44,485	–	33,389	111,174	144,563	100.0
22	Ganglong Capital (港龍首府)	64,193	–	154,140	–	154,140	100.0
23	Guan Tang Fu (觀棠府)	69,049	–	202,961	–	202,961	100.0
24	Hua Qiao Cheng (華僑城)	94,423	434	–	–	434	100.0
25	Hua Qiao Xin Cheng (華僑新城)	42,170	1,502	–	–	1,502	100.0

Number	Projects	Site Area (in sq.m.)	Completed GFA available for sale/ pre-sold but not yet delivered/that are leasable (in sq.m.)	Total GFA Under Development ⁽¹⁾ (in sq.m.)	Total Estimated GFA for Future Development ⁽¹⁾ (in sq.m.)	Total Land Reserve ⁽²⁾ (in sq.m.)	Our Interest in the Project (%)
<i>Yixing</i>							
26	Ganglong Lakeside Mansion (港龍•湖光瓏樾)	66,626	–	188,878	–	188,878	100.0
Henan							
<i>Luoyang</i>							
27	Mansion Grand (雍河尚院)	95,168	–	192,223	–	192,223	100.0
Shanghai							
28	Shan Shui Shi Jian (山水拾間)	85,590	–	78,095	–	78,095	100.0
Zhejiang							
<i>Hangzhou</i>							
29	Qiu Shi Chen Yue (秋實宸悅)	28,344	–	81,117	–	81,117	100.0
<i>Huzhou</i>							
30	Jiangnan Taoyuan (江南桃源)	73,237	–	163,228	–	163,228	100.0
31	Zha Xi Taoyuan (霽溪桃源)	176,013	–	334,726	–	334,726	100.0
<i>Shaoxing</i>							
32	Ganglong-Bo Yue Fu (港龍•鉞樾府)	80,568	–	129,511	–	129,511	100.0
33	Jun Wang Mei Ting (君望美庭)	92,923	–	275,881	–	275,881	100.0
Guizhou							
<i>Panzhou</i>							
34	Ganglong – Park Mansion (港龍•東湖桃源)	116,101	–	141,653	–	141,653	100.0

Number	Projects	Site Area (in sq.m.)	Completed GFA available for sale/ pre-sold but not yet delivered/that are leasable (in sq.m.)	Total GFA Under Development ⁽¹⁾ (in sq.m.)	Total Estimated GFA for Future Development ⁽¹⁾ (in sq.m.)	Total Land Reserve ⁽²⁾ (in sq.m.)	Our Interest in the Project (%)
Anhui							
<i>Wuhu</i>							
35	Shi Dai Tian Jiao (時代天驕)	33,928	–	93,353	–	93,353	100.0
Sub-total		2,232,157	68,728	4,308,283	177,372	4,554,383	
Property held by our Joint Ventures⁽⁴⁾							
Jiangsu							
<i>Changshu</i>							
36	Shine Time (璀璨瀾庭)	56,936	–	90,435	–	90,435	50.0
37	The Asia Mansion (紫譽華庭)	65,378	–	64,922	–	64,922	33.0
<i>Changzhou</i>							
38	Elegant Mansion (觀棠花園)	31,156	3,858	–	–	3,858	20.2
39	Yan Shan Ying (燕山映)	61,021	–	–	57,820	57,820	35.0
<i>Nantong</i>							
40	Metropolis (新都會)	109,890	–	15,808	–	15,808	12.5
41	Starry Bay (麗景灣)	55,868	105	–	–	105	33.0
42	Yunyue Heshan (雲樾河山)	66,710	8,076	–	–	8,076	20.0
<i>Taixing</i>							
43	Majestic Mansion (御園)	125,306	42,879	32,207	–	75,086	33.0
<i>Yixing</i>							
44	Lakeside Mansion (湖悅天境)	62,563	14,939	26,099	–	41,038	20.0

Number	Projects	Site Area (in sq.m.)	Completed GFA available for sale/ pre-sold but not yet delivered/that are leasable (in sq.m.)	Total GFA Under Development ⁽¹⁾ (in sq.m.)	Total Estimated GFA for Future Development ⁽¹⁾ (in sq.m.)	Total Land Reserve ⁽²⁾ (in sq.m.)	Our Interest in the Project (%)
Zhejiang							
<i>Huzhou</i>							
45	Eastern Mansion (太湖天萃)	57,734	–	82,797	–	82,797	60.0
46	Fontainbleau (楓丹壹號)	62,812	–	55,030	–	55,030	49.0
47	Taihu Mansion (太湖天地)	83,612	3,817	–	–	3,817	49.0
Anhui							
<i>Wuhu</i>							
48	Hu Shan Ying (湖山映)	132,596	–	91,440	–	91,440	30.0
Sub-total		971,582	73,674	458,738	57,820	590,232	
Property held by our associated companies⁽⁵⁾							
Jiangsu							
<i>Changshu</i>							
49	Brown Stone Life (褐石源築)	53,530	–	24,926	–	24,926	25.0
<i>Changzhou</i>							
50	Peony Sanjiang Park (牡丹三江公園)	135,330	–	81,602	–	81,602	24.5
51	Tianning Rong Yue Fu (天寧融悅府)	53,936	–	48,060	–	48,060	30.0
<i>Jiangyin</i>							
52	Leiden Town (萊頓小鎮)	203,609	–	67,685	–	67,685	15.0
<i>Lianyungang</i>							
53	Feng Huang Yuan Zhu (鳳凰源著)	56,593	–	28,823	–	28,823	20.0
<i>Rugao</i>							
54	Imperial Garden (頤和樾園)	43,601	6,006	–	–	6,006	30.0

Number	Projects	Site Area (in sq.m.)	Completed GFA available for sale/ pre-sold but not yet delivered/that are leasable (in sq.m.)	Total GFA Under Development ⁽¹⁾ (in sq.m.)	Total Estimated GFA for Future Development ⁽¹⁾ (in sq.m.)	Total Land Reserve ⁽²⁾ (in sq.m.)	Our Interest in the Project (%)
<i>Yancheng</i>							
55	Jun Yue Fu (珺悦府)	99,553	1,869	–	–	1,869	20.0
56	Long Ting Hua Fu (龍庭華府)	40,364	21	–	–	21	30.0
Sub-total		686,516	7,895	251,097	–	258,992	
Grand Total		3,890,254	150,297	5,018,118	235,192	5,403,607	

Notes:

- (1) Total GFA Under Development comprises Saleable/Leasable GFA and non-saleable/leasable GFA.
- (2) Total land reserve equals to the sum of (i) The 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. Proportion of the total land reserve attributable to us represents the land reserve adjusted by us interest in the respective project.
- (3) We have majority voting rights at the shareholders' meeting and control the decisions of the board of each of the property projects developed by our subsidiaries.
- (4) We have joint control over each of the property projects developed by our joint ventures.
- (5) We have the power to participate in the financial and operating policy decisions of each of the property projects developed by our associated companies.

OUR PROJECT MANAGEMENT AND OPERATION

Our Project Management and Organizational Structure

With respect to our project management, we have adopted a two-tier organizational structure, with our headquarters as the first tier and local project companies as the second tier. Each tier is vested with separate duties and responsibilities. We believe that such demarcation of roles and functions between our headquarters and local project companies maximizes our operational efficiency in managing multiple projects and allows for scalability as we expand our business.

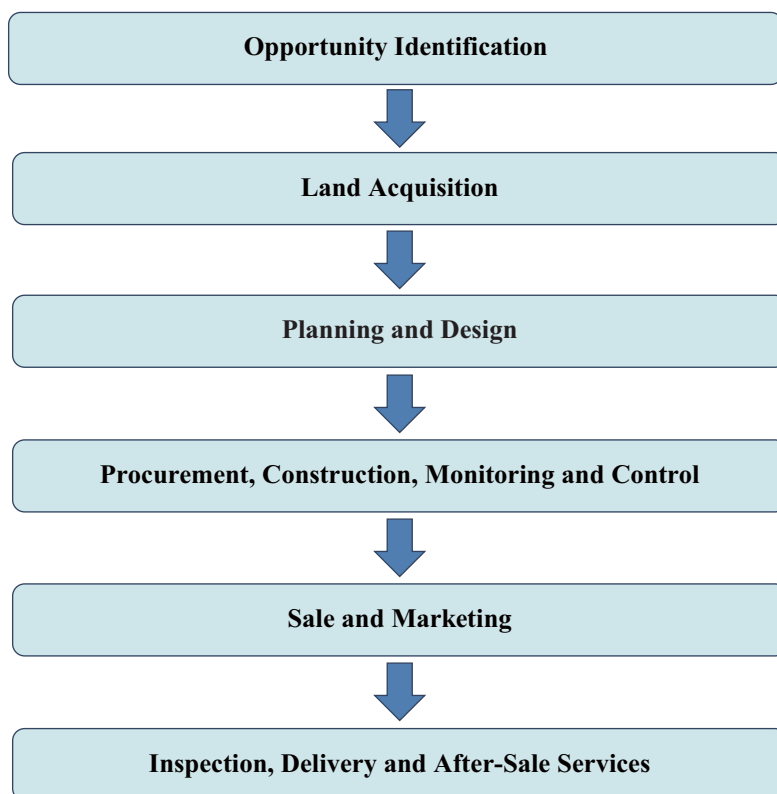
The first tier consists of our board of directors, chief executive officer, president, vice-president, three decision committees and eight functional centers and is generally responsible for, among other things, making strategic decisions, formulating business development plans and policies for us, overseeing project development progress, establishing sales targets and other monetary and supervisory functions. Each of our local project company is generally responsible for implementing the strategies and policies formulated by our headquarters, providing local market intelligence and information to our headquarters and carrying out our daily operations such as executing project development plans, monitoring construction schedule, carrying out quality control inspection and executing sales and marketing plans.

To assist our board of directors, chief executive officer, president and vice president in making key strategic decisions and formulating major business development plans and policies, we have been striving to improve our management and operation policies over the years. We have set up three decision committees at our headquarters, which include our investment decision committee, tender decision committee and product

decision committee, and eight functional centers, which include our investment management center, design management center, cost management center, sales management center, operation management center, financial management center, integrated management center and risk management center.

Our Project Development and Sales Process

We have a well-established and streamlined process for our project development, which typically involves the major stages as set out in the diagram below:



It generally takes around 21 to 48 months for us to complete a project after acquiring the relevant land use rights, depending on the project type, scale, complexity and other project specific factors.

Opportunity Identification

We consider opportunity identification and site selection to be important to the success of our project development process. Our investment management center is responsible for conducting initial market research with a view to identifying and assessing potential development opportunities for us to acquire land parcels or to cooperate with third-party business partners with expertise in project development through joint ventures and associated companies. Such initial market research efforts may involve information collections from local and governmental channels, such as the websites of the Ministry of Natural Resources of the PRC, and general studies on, among others, the following:

- the city where the potential development opportunity is located, including local economic conditions, local GDP and its growth rate, residents' income levels and purchasing power, population size and its growth and density, potential demand for residential properties, local governmental plans on infrastructure, transportation, public facilities and urban planning;
- the relevant land information, including its size and usage restrictions, as well as local land supply and historical transactions;
- potential competition;

- suitability of the potential development opportunity for our product positioning;
- potential risks;
- macro-economic environment; and
- national and local governmental policies and regulations.

If necessary, our investment management center would conduct site visits of the relevant land and surrounding areas by its own staff or through third party agencies.

Based on the initial market research, if our investment management center considers the potential development opportunity feasible, it would prepare a feasibility report and recommend the opportunity to our investment decision committee for approval. Based on the feasibility report and information from our functional centers at the headquarters, including:

- initial building and planning scheme from our design management center;
- cost estimation from our cost management center;
- market, product and customer positioning information and initial sales plan from our sales management center;
- engineering technology analysis from our operation management center;
- financial and tax estimation from our financial management center;
- financial analysis using our detailed indicator-based evaluation system, taking into account key indicators such as estimated revenue and land costs ratio, estimated gross profit and net profit margins, financing costs, expected launch time, destocking cycle and positive cash flow-back cycle; and
- initial due diligence on the relevant land parcels and/or third-party business partners from our risk management center,

if our investment decision committee considers the potential development opportunity feasible, it would resolve to approve it to proceed to the land acquisition stage.

Based on the above site selection process and adhering to our mission of “casting new city landscapes”, our residential projects are typically situated in new markets in second-tier cities and core districts in third-tier cities in the Yangtze River Delta Region with access to high-speed rail stations and we also aim to strategically expand into core districts of cities with lower urbanization rate.

Land Acquisition

We always strive to adopt a diversified land acquisition strategy to enrich and optimize our land reserves. We usually acquire land for our projects through two methods: (i) in the primary market through bidding in public tender, auction or listing-for-sale process in compliance with the Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) (the “**2007 Regulation**”), which became effective on November 1, 2007; or (ii) through acquisition of equity interests or investments in companies that hold land use rights.

Public Tender, Auction or Listing-for-sale

We acquire a portion of our land in the primary market through public tender, auction or listing-for-sale process organized by the PRC government authorities in the primary market. We usually utilize this method of land acquisition in locations where we have established operation, such as cities in the Yangtze River Delta Region, and hence possess better local market intelligence. Typically, in a public tender, an evaluation committee (including a representative of the grantor and other experts) evaluates tenders submitted by bidders and chooses the tender based on a number of factors including each bidder's bidding price, project experience, credit history, qualifications and development proposal. In an auction, local land bureaus hold the auction process and grant the land use rights to the bidder with the highest bidding price. In a listing-for-sale process, local land bureaus specify conditions for granting the land use rights before bids are submitted and the land use rights are granted to the bidder with the highest bid at the end of the listing-for-sale period.

Acquisition of Equity Interests or Investments in Companies that hold Land Use Rights

We also acquire land parcels of our property development projects through acquisition of equity interests or investments in companies that hold land use rights and cooperation with third-party business partners with resources and local expertise in project development through our jointly developed projects, depending on the relevant circumstance of the projects. We usually utilize this method of land acquisition as we strategically expand into in a new geographical market where we may face increased risks due to its possible difference in regulatory requirements, competitive conditions or consumer preferences from our existing markets. In terms of our business performance, this method allows us to leverage our third-party business partners' local network, market intelligence and knowledge on local government policies and regulations. In terms of our financial position, our third-party business partners would contribute capital for our property development projects, which would (i) lessen our cash flow pressure on land bidding; (ii) lower our share of the capital investment and development costs of the property development projects; and (iii) allow us to take part in more property development projects and achieve risk diversification.

We first started utilizing this method of land acquisition in 2015 and since then, our cooperation with third party business partners in our non-wholly-owned subsidiaries, joint ventures and associated companies have increased significantly.

Social Welfare Housing

For projects including The Hong Kong Masterpiece (新港城), Ziyu Mansion (紫御府), Hua Qiao Cheng (華僑城), Rongjin Mansion (融錦別院), Eastern Mansion (太湖天萃), Country Garden — Lingyu (碧桂園 • 領譽) and Taoyuan Li (桃園里), we agreed to allocate a number of units of our commodity houses and retail units with an aggregated GFA of approximately 139,965 sq.m. to relevant local government entities for the purposes of social welfare housing, such as resettlement houses, etc., at a specific price or for free, as specified in the relevant agreements or contracts that we entered into with the particular governmental entities. For the projects of Shan Shui Shi Jian (山水拾間) and Qiu Shi Chen Yue (秋實宸悅), we agreed to allocate at least 5.0% of the residential GFA of the respective project (equivalent to an aggregated GFA of approximately 4,890 sq.m.) to be transferred or returned to the relevant local government entities for free for the purposes of social welfare housing, such as public rental housing. We are not responsible for any relocation or resettlement operations relating to the projects or the affected residents. In general, such social welfare housing requirements are imposed by the relevant local government when we entered into valid land grant contracts.

Planning and Design

Product Positioning

We aim to position our product to meet the evolving market demand and create value for our customers. Our targeted customer groups mainly include (i) first time homebuyers, (ii) mid-end home-upgraders and (iii) high-end home-upgraders.

Our product positioning process for a project starts early at the opportunity identification stage. After a potential development opportunity is approved, our investment decision committee would typically provide a preliminary product positioning opinion based on information provided by our functional centers at the headquarters, including the initial building and planning scheme from our design management center. Based on such positioning opinion and after the land acquisition stage, our sales management center is generally responsible for conducting further market research by working with our sale management department at the local project company and third-party market research agencies to produce a preliminary product positioning report, including the customer group and market studies, to further facilitate our project planning and design.

Project Planning and Design

We strive to carefully plan our projects and to design quality properties to meet the needs and preferences of our customers. We manage our overall project planning and design through our design management center, which has formalized standardized four-step procedures for our project planning and design, which typically involve (i) land parcel planning, (ii) conceptual planning, (iii) construction planning and (iv) final design and construction drawings preparation.

At the land parcel planning step, an initial building and planning scheme is generated to assist our investment decision committee to review a potential development opportunity at the opportunity identification stage and our sales management center to generate a preliminary product positioning report. At the conceptual planning step, based on additional land information, a conceptual design plan is generated to facilitate our sales management center to conduct further analysis the and generate a formal product positioning report. At the construction planning step, based on the formal product positioning report and collaboration among our other functional centers, a construction proposal is submitted to our product decision committee for review and approval. After the construction proposal is approved, we would proceed to final design planning and collaborate with external design companies and institutions to prepare the final design and construction drawings according to our requirements.

We usually outsource different types of design works of a project, such as construction drawings preparation, architectural design, and scenery design, to qualified third-party design companies and institutions. We believe that outsourcing design works would allow us to leverage the expertise and research capabilities of the design companies and institutions and to better manage and reduce the overall timeframe required for our project planning and design process. Our design management center is responsible for setting out design parameters, cost and time requirements and statutory and government requirements in our contracts with these design companies and institutions, communicating with them frequently, managing their progress and reviewing all draft design works. The final design plan and construction drawings are submitted to the relevant government authorities for approval, after which they become the construction blueprint.

We prefer design companies and institution with which we have long-term working relationships to ensure the quality of our design works, and maintain an internal list of design companies and institutions that meet our stringent selection criteria. When assessing these design companies and institutions, we take into consideration factors such as qualifications, design capabilities, experience and technical expertise in similar projects, track-record and service fees. Our agreements with design companies and institutions usually stipulate the scope of design work to be performed, design schedule, quality standards, service fees and payment schedule. The service fees are usually determined based on the complexity of the design work and GFA of the project.

Procurement, Construction, Monitoring and Control

Our cost management center is generally responsible for our overall procurement process. It is responsible for generating a master budget plan using our cost management system based on the construction blueprint of a project, submitting the budget plan to our financial management center for review and obtaining approvals from our decision committees at the headquarters. The master budget plan sets out the relevant budgets for the appointment of construction companies and procurement of raw materials for the project.

Appointment of Construction Companies

We typically outsource the construction work of our projects to qualified third-party construction companies. We believe that outsourcing construction work allows us to better focus on our business as a property developer and to minimize certain risks, such as risks from fluctuations in the cost of certain raw materials.

We select construction companies for our projects through a tender process in accordance with the Law on Tender and Bidding of the PRC (中華人民共和國招標投標法) and the Provisions on Engineering Projects Which Must Be Subject to Bidding (必須招標的工程項目規定). The tender process may be conducted via tender by invitation or open tender. The tender process is managed by our cost management center at the group level. It is responsible for preparing invitation for tender documents, and reviewing the qualification of the bidding construction contractors and the tender documents submitted by the contractors. The tender invitations set out the specifications and requirements for the constructions, such as the quality assurance terms and construction safety requirements. The tender invitation usually lasts for 10 to 13 days. Interested contractors would submit their tender documents, with the proposed pricing, proposed construction schedule and qualification for review. We conduct a number of due diligence procedures and only invite the contractors which have passed our due diligence checks to participate our tender. For certain projects, we hold interviews with core members of contractors and conduct in-depth review of their previous work experiences. When considering the tenders submitted, we will consider a number of factors including the technical and financial aspects of the contractors. In particular, we will review the qualifications of the contractors, the recent projects completed by the contractors and the repair and maintenance undertakings. The whole tendering process is fully confidential.

We prefer construction companies with which we have long-term working relationships to ensure the quality of our products, and maintain an internal list of construction companies that meet our criteria and which we may invite to tender for new projects. To ensure the quality and workmanship of our properties, we apply stringent criteria in the selection of construction companies. When assessing these construction companies, we take into consideration factors such as experience, track record, reputation, credentials, professional qualifications, financial condition, quality of construction work, price quote, proposed construction schedule and plan and technical capabilities. Our tender decision committee will review the tendering documents, rank the submitted tenders and approve the final tender decision.

Such construction contracts are based on a standard template provided by the relevant government authority, which usually contain warranties provided by the construction companies with respect to construction schedules, quality and safety standards. Pursuant to such agreements, the contractors are obligated to undertake the entire construction work in strict compliance with the laws and regulations, and the construction companies are required to pay fines in the event of delays and are responsible for the costs incurred in rectifying construction defects discovered pre- and post-completion and delivery. In addition, we are entitled to terminate a construction contract and claim damage for losses if the construction company causes any material delay to the development schedule or irreparable damage to the project development.

We usually make payments to construction companies in installments in accordance with the terms and conditions stipulated in the construction contracts and the installment payment schedule varies from case to case. In general, we pay the construction companies 70% to 85% of the full contract price when the construction work is completed and pay 95% of the total contract price upon project settlement. We retain 3% to 5% as quality warranty deposit typically for two to five years. The quality warranty deposit is used to cover any contingent expenses incurred as a result of construction defects. We believe that the amount of quality warranty deposit we retain under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover the construction warranties we provide to our customers under the sale and purchase agreements.

Procurement

A significant portion of our raw materials, fixtures and equipment are procured in China. The construction companies are generally responsible for the procurement of raw materials, such as concrete and steel, used in the construction process. The raw material costs are typically included in the pre-agreed contract prices with the construction companies. Typically, our construction companies bear the risk or enjoy the benefit of price fluctuation for majority of raw materials for which they are responsible for. However, our contracts with construction companies contain price adjustment mechanism, in cases where the fluctuation in the relevant market prices of the relevant raw material exceed certain threshold, the fee with the construction companies may be adjusted. We can, to a certain extent, pass any cost increases in raw materials to our customers by increasing the prices of our products. However, we still 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.

We normally specify a list of brands and the construction companies procure such materials with reference to pricing guidelines issued by local authorities. For materials which materially affect the design of our projects, such as ground and wall tiles, external finishing materials, internal decorative materials and valves, we may require the construction companies to procure these materials at prices pre-negotiated by us.

We are responsible for purchasing specific construction materials and fixtures such as elevators, and air conditioner. We prefer third-party suppliers with which we have long-term working relationships to ensure the quality of our products. Our cost management center maintains a central supplier database, which contains evaluation information about all our suppliers. To qualify for our supplier database, the supplier must meet our strict standards on quality, productivity and compliance record. We conduct visit on our suppliers on an annual basis as well as on ad hoc basis. To maximize our economies of scale and bargaining power, we centrally procure certain raw materials. We normally seek tenders from no less than three suppliers within our qualified supplier database for our procurement. We enter into procurement contracts with the winning bidders. The procurement contracts are usually fixed-priced and do not contain any minimum purchase commitments. The terms of the procurement contracts usually track the construction periods of the relevant projects, which range from one to two years. Suppliers may enter into new tender bids when the contractual periods expire. Typically, we may terminate a contract if the supplier fails to supply the relevant materials in accordance with the terms of the contract, industry standards or relevant regulatory requirements.

In general, we make payments to our suppliers in installments by bank transfer or acceptance bills in accordance with the terms and conditions stipulated in the procurement contracts, and payment terms granted by our suppliers vary depending on factors such as the relationship between the supplier and us and the transaction size.

We do not maintain any inventory of construction materials. As we maintain a central supplier database for the equipment which we are responsible for purchasing, we have adequate alternatives when a supplier fails to meet our demand, which largely prevents the risk of supply shortages.

Project Monitoring

We place significant emphasis on project monitoring, as well as quality, progress and cost control, to ensure that our products meet market standards and comply with applicable PRC laws and regulations relating to quality and safety. Our operation management center is responsible for monitoring and controlling the quality and progress of our projects during construction. Our cost management center is responsible for the overall cost control during construction.

Quality Control

Our quality control process starts with the selection of qualified construction companies and suppliers with which we have long-term working relationships to ensure the quality of our products. Please refer to “— Our Project Development and Sales Process — Procurement, Construction, Monitoring and Control” above for our selection and assessment of construction companies and suppliers.

To ensure quality of our product and compliance with applicable PRC laws and regulations, we have established a system of quality control policies and procedure to govern each aspect of the project development process. Also, in compliance with applicable PRC laws and regulations, we engage Independent Third Party certified construction supervision companies to monitor the entire construction process of our projects. The construction supervision companies, along with personnel of our local project companies, conduct quality inspections on construction materials and on-site workmanship checks to ensure all construction materials and products meet our prescribed specifications and applicable regulatory requirements. During the inspections, we check whether the construction companies comply with the construction blueprint and for any deviation from the blueprint, whether such deviation is an appropriate adjustment. We also check whether the construction companies comply with our procedures regarding inspection of raw materials and equipment. Our inspection process typically includes the following: (i) the samples of all major raw materials must be sent to us for pre-approval and stored for records; (ii) all major equipment and raw materials must be inspected when entering the construction sites; and (iii) all sub-divided work steps are inspected and only upon the satisfaction of the inspection results of one work step, the next work step may be carried out.

If there are any instances of quality issues, our local project companies, which are responsible for monitoring day-to-day business operations throughout the development process, will report them to our operation management center and president office at the headquarters and we require the non-compliant entity to rectify the issue within a specific timeframe. We may request the suspension of the construction work by the appointed construction companies if there are any material quality issues and require remedial measure before the construction work can commence again. Also, after the construction company complete a project, we retain a quality warranty deposit from them typically for two to five years to cover any contingent expenses incurred as a result of construction defects. Please refer to the section headed “— Our Project Development and Sales Process — Procurement, construction, monitoring and control — Appointment of construction companies” above for more details.

We confirm that, in 2017, 2018, 2019 and the six months ended June 30, 2020, we had not encountered any material quality problems nor receive any material complaints about the quality of our projects. In 2017, 2018, 2019 and the six months ended June 30, 2020, no fines or penalties for non-compliance of PRC labor and safety laws and regulations were imposed on us.

Progress Control

We have established a project schedule management system that specifies the timeframe in which each project milestone needs to be achieved during the project development process. We also utilize an online approval system, named “Office Automation”, for efficient coordination among our functional centers at the headquarters. We have integrated these systems into our IT system, which would automatically alert the relevant staff of our functional centers at the headquarters and our local project companies on the timeliness of their performance of each task, provide them with access to the relevant electronic documents and obtain online approvals from our management. These systems allow us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays to the final schedule.

The construction companies appointed by us are usually required to appoint a project manager to manage the construction progress on daily basis. During the construction stage, our operation management center is responsible to review all projects under construction and conduct on-site inspections of all projects and monthly on-site inspection of selected projects. During our on-site inspection, we would inspect and review the site area and conduct meetings with the project manager and the project engineering staff at the local project companies to discuss project progress. We also inspect every major construction procedure such as foundation building, roof sealing and waterproofing of the main structure, thermal insulation construction and completion inspection. Our operation management center would also monitor the construction progress and evaluate the performance of the contractors by reviewing the monthly quality assurance and construction progress report prepared by the certified construction supervision companies. If the construction progress has any material deviation from our construction progress plan, our project management department will bring the situation to the attention of our headquarters, explain the reasons for such deviation and discuss the rectification measures with the relevant contractor. Upon completion of each stage of the construction, the contractor will submit an approval form to the Independent Third Party certified construction supervision companies and the manager of the project engineering department of the project company, will then check against the actual construction status, acknowledge the completion of the relevant stage of the project and approve the amount payable to the contractors. After that, our cost management department or cost management center at headquarters, as the case may be, will review the approval forms and make the payment to the contractors accordingly.

If there is any schedule delay which exceeds the period of time as stipulated in the construction contract with the construction company, 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 construction contract.

The construction companies engaged by us are not typically allowed to subcontract or transfer their contractual agreements with us to third parties without our prior consent. When subcontracting construction works to third parties under our consent, the construction companies are obliged to supervise and ensure the subcontractors’ construction works are in strict compliance with our specifications and requirements, and we may also require the construction companies to conduct progress meetings regularly.

Cost Control

We have established a cost management system which assists us in creating master budget plans, including how to assess the different cost components, and approving, maintaining and monitoring all construction and supplier agreements for our projects. Our cost management center is responsible for reviewing and ensuring that the relevant contracted amount, payment schedule and key commercial terms recorded in the cost management system are in accordance with those set forth in the master budget plan for a project. For all payment amount below RMB2 million, the amount due to contractors will be paid upon receiving approval from our cost department, whereas payment amount above RMB2 million also require the approval of our risk management center. We believe that the cost management system provides us with the capability to keep track of payment schedules and management our payments and cash flow. Our financial management center and cost management center would typically conduct monthly meetings or hold internal discussions to review and verify the actual costs incurred in details and compare such costs with the master

budget and with similar expenses incurred at our other projects. We believe 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 as a result. In the event that the master budget for a project needs to be revised, approval from our decision committees at the headquarters 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

Sales and Marketing Activities

We typically rely on the efforts of our sales and marketing teams at the local project companies for the marketing and promotion of most of our properties. We believe by establishing and strengthening our own sales and marketing teams, and leveraging the supports of our functional centers at the headquarters and other departments at the local project companies, we are better positioned to gain deeper understanding of the market in order to improve our marketing and pricing efforts, and better able to identify industry trends and customer demands that can benefit in optimizing our products.

Furthermore, we believe the interest of our own sales and marketing team are better aligned with us as compared to external real estate sales agencies. Our sales and marketing personnel are incentivized by performance-based compensation packages. We believe that we provide relative competitive incentives to our sales and marketing staff, which are based on the performance evaluation of the individual sales and marketing personnel and their marketing teams.

We occasionally engage third-party real estate sales agents depending on market conditions and our overall sales condition of the particular project to facilitate our sales and marketing efforts. These real estate 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. For the three years ended December 31, 2019 and the six months ended June 30, 2020, we incurred sales commission to third-party real estate sales agents of RMB1.0 million, RMB6.2 million, RMB3.4 million (US\$0.5 million) and RMB18.2 million (US\$2.6 million), respectively.

Our sales management center is generally involved from the early stage of project development to ensure that our property developments are well positioned and priced by providing valuable information relating to our target market, local pricing information, pricing of competitive projects, customers and estimated sales velocity. Our sales management department at the local project company is generally involved in the execution of the sales and marketing plan of a project and provide local customer feedback to our sales management center. We conduct our sales and marketing activities for a property development project in three key phases:

- The first phase begins after the land acquisition stage with our sales management center conducting detailed market research and producing a product positioning report to help us to formulate the branding and sales strategy and marketing plans of the project. Then, at the project planning and design stage, we would commence the design of the show flats at our sale office. The marketing and promotional goal is to complete a majority of our sales and marketing preparation for the second and third phases below.
- The second phase begins with the opening of our show flats at the on-site sale office and the construction commencement ceremony. Our marketing and promotional programs at this stage include (i) building and training the local sales and marketing team, (ii) establishing the on-site sales office and (iii) advertising through a variety of media, including television, newspapers and magazines, point-of-sale materials, the Internet, mobile media and outdoor billboards. Our marketing goal is to promote market awareness of the project and to enhance our corporate image.

- The third phase begins with initiation of pre-sale. Our marketing and promotional programs at this stage focus on more detailed property product introduction and open house events. We set up on-site reception centers to display model units of our projects and other detailed information about the development. The marketing and promotional goal is to attract potential purchasers and to stimulate interest in various types of properties in the project.

For the three years ended December 31, 2019 and the six months ended June 30, 2019 and 2020, our advertising and promotion expenses were RMB7.9 million, RMB18.1 million, RMB90.2 million (US\$12.8 million), RMB22.7 million and RMB54.2 million (US\$7.7 million), respectively.

Pre-Sale

Pre-Sale Procedures

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 as to the quality of our products. We launch pre-sale upon the receipt of pre-sale permits in accordance with the PRC laws and regulations.

In addition, property developers are also required to use a standard pre-sale contract prescribed by the relevant local authorities. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sales with the relevant local authorities and provide warranties on the quality of properties we sell to our customers for periods shorter than that for the quality warranties we receive from our construction contractors under the relevant construction contracts.

Pre-Sale Proceeds

Under the Pre-sale Measures and Urban Real Estate Law, the pre-sale proceeds of commodity buildings should only be used to fund the construction costs of the relevant development projects. Further, in some cities we operate, the use of pre-sale proceeds is specifically restricted, where the pre-sale proceeds of our properties must be deposited in escrow accounts and can only be used to purchase the necessary construction materials and equipment, make construction stage payment, pay statutory taxes for the relevant development projects subject to prior consent from the relevant local government authorities.

Pricing Policies

Our ability to price our products at desired levels has been, and will continue to be, important to our results of operations. We have a clear pricing protocol for each project. We conduct initial market research on the potential development opportunity and analysis on comparable properties and inventory within the area where potential projects locate, and submit a product positioning report to our design management center after the land acquisition. We also calculate costs, expected profits and cash flow of the project. Depending on the local market demand and government development plans, we may furnish our products with standard interior decoration and premium interior decoration and sell our premium products at a higher price level than our standard products.

Prior to the launch of our sales efforts for a project, our financial management center and cost management center would typically conduct a pre-launch meeting to review the overall marketing budget, overall sales targets for each project and target ASPs based on our total costs incurred, our target profitability levels and in accordance with applicable PRC laws and regulations. Development cost of property include all costs incurred in relation to the construction of the property development project, including land costs, construction costs, borrowing costs and professional fees. A premium will be added based on our target rate of return, overall sales target for each project and the competitive landscape.

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 as appropriate. As part of our overall goal and strategic plan, we set annual targets as to the total sales price and revenue for all of our property projects, which are based on our development plan, market prospects, estimated costs and profit target. In accordance with such targets, we manage our property inventory position on the basis of their realizable market value. Accordingly, we establish additional or adjust our product positioning, sales price and marketing approach in view of such estimated realizable market value. In particular, although sales targets are set by our sales management center at the headquarters, our sales team at the local project company may suggest a sales price adjustment to our sales management center at headquarters based on changing market conditions due to their familiarity with the local property markets. For example, rather than becoming fixated on a pre-determined price levels, in times of market downturn and subject to approvals of our sales management centre at the headquarters, our local sales teams can quickly adopt discounts and other incentive measures to promote our properties as to ensure a healthy cash flow while maintain revenue generating. On the other hand, in more robust markets, and subject to approvals of our sales management center at the headquarters, our local sales teams may quickly increase the sales price for our properties to keep abreast of the developing market situations. Such ability to adjust our inventory status, sales price and cash flow to proactively respond to trends in local property markets has enabled us to maintain profitability.

Payment Arrangements

In general, our customers may make the payment by installments or in one lump-sum by cash. For customers who opt to pay by installments, they may fund their purchases by personal funds or mortgage loans provided by commercial banks.

We typically require 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. Customers who purchase properties by making one lump-sum payment are normally required to fully settle the total purchase price within the prescribed period after entering into the relevant sale and purchase agreements. Customers who pay by installments are required to make payments in accordance with the agreed payment schedules. Outstanding balances must be fully settled prior to property delivery. Depending on the locality of the properties, customers who purchase properties with mortgage loans are typically required to pay a down payment of no less than 20% for first-home purchasers upon entering into a sale and purchase agreements. Outstanding balances are settled by the mortgagee banks within the prescribed period pursuant to the respective bank financing agreements. The minimum percentage of down payment is subject to changing government policies.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage loans and the Administration of Housing Provident Fund for the provision of applying housing provident fund to our customers. If necessary, these mortgagee banks or the Administration of Housing Provident Fund will require us to provide guarantees or deposit as security for the mortgage loans. We rely on the credit checks conducted by the mortgagee banks and do not conduct independent credit checks on our customers. The guarantee period generally lasts until the earlier of the following two dates: (i) the issuance of the relevant property ownership certificate and the registration of the mortgage in favor of the mortgagee bank, or (ii) the date when mortgage loans are settled between the mortgagee bank and the purchaser, under the circumstance that the purchaser pays off the mortgage loan in advance. If a purchaser defaults on a mortgage loan during the guarantee period, we are required to repay the outstanding balances owed to the mortgagee bank. After settling such outstanding balances, we are entitled to forfeit the down payment received and sell the repossessed properties. As of June 30, 2020, the respective outstanding guarantees and deposits provided by us in respect of mortgage loans of our customers amounted to RMB5,495.4 million (US\$777.8 million) and RMB244.9 million (US\$34.7 million). In 2017, 2018, 2019 and the six months ended June 30, 2020, we did not encounter any material incidents of default by our customers which would lead to material impact to us.

Inspection, 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 sale and purchase contracts. Before delivery of properties to our customers, we may obtain the relevant completion certificate (房屋建築工程竣工驗收備案表) or other certificates as required under the respective sales contracts as well as the local laws and regulations. Please refer to the section headed “Regulatory Overview — Laws and regulations governing real estate transfer and sale and lease — Regulations on sale of commodity buildings” for details. It typically takes approximately two to three years from the commencement of pre-sale to the date of completion, depending on the scale of the properties. During 2017, 2018, 2019 and the six months ended June 30, 2020 and up to the date of this offering memorandum, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sales.

To help ensure timely delivery of our properties, we closely monitor the progress of construction of our projects and conduct pre-delivery property inspections. Our operation management department and engineering department at the local project company are responsible to jointly inspect the properties prior to delivery to ensure that our quality standard has been met. Our staff will notify our customers in writing before the delivery date stipulated in the sale and purchase agreements 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 rights 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 sale of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

Our customer relationship department and the property management company we engage are responsible for after-sales services. We aim to resolve our customers’ queries in relation to property construction in a timely manner.

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, amongst others, for our residential 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;
- two-year warranty with respect to the refined decoration work; and
- warranty durations for ground foundations and main structures are the relevant reasonable lifespans stated in the design documents.

The construction companies we have engaged are responsible for rectifying quality defects in the properties, whether such defects are discovered pre- or post-completion and delivery. We may repair quality defects only if the construction companies cannot repair the defect in a timely manner. We generally retain a quality warranty deposit of 3% to 5% of the total contract price typically for two to five years to cover any contingent expenses that may be incurred as a result of any quality defects.

We may receive customer claims in relation to the quality of real properties that we developed from time to time. Generally, we coordinate with the relevant third-party construction companies to respond to such customer claims. Relevant third-party construction companies shall be responsible for the repair or maintenance at their own costs subject to the warranties provided in the agreements that they entered with us. In 2017, 2018, 2019 and the six months ended June 30, 2020, we have 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 relationship department at the headquarters and relevant property management companies we engage to provide after-sale services, including, among others, providing assistance in obtaining property ownership certificates, following up on warranty issues and performing maintenance services. Our customer service team is also responsible for collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedback to the construction management team to improve our operation, including project design and marketing strategies.

We value feedback from our customers and believe it is important in helping us maintain customer relationships, improve product and service quality and identify customer preferences. We have a customer service telephone hotline for customers to provide feedback and complaints about our products and services. It is our policy to attend to any customer feedback or complaints in a timely manner. In addition, to better understand the needs of our customers so as to improve our offerings, we conduct customer satisfaction surveys after the delivery.

PROPERTY MANAGEMENT

We believe that quality property management services are integral to our customer experience and are thus essential to maintaining long-term customer relationships. Our property management department under our operation management center at our headquarters is mainly responsible for selecting and appointing property management companies for our projects.

We engage property management companies to provide pre-delivery property management service prior to the establishment of an owners' committee of the relevant properties developed by us in accordance with the relevant PRC property management laws and regulations. In this regard, we typically enter into a pre-delivery property management service contract with the relevant property management companies for the provision of services, such as property maintenance, site security, gardening, cleaning and other ancillary services. The management fee is determined with reference to the prevailing market rates, guidance rate set by the relevant PRC government authorities, and the GFA of each property of the relevant property development project, which is usually settled on a monthly, quarterly or yearly basis. Following delivery of the relevant property, property owners are responsible for the payment of their own management fee, while we are responsible for payment of management fees for properties that are completed but not yet sold or delivered.

LEASED PROPERTIES USED BY US

As of June 30, 2020, we leased 203 properties with a total GFA of 31,642 sq.m. mainly used as staff dormitory, car parking spaces and office premises. Our leases generally have a term ranging from one to five years. Save as the Office Tenancy Agreement (as define below) disclosed below, all of our landlords are Independent Third Parties.

As of June 30, 2020, none of the properties we owned are for self-use.

OWNED PROPERTIES HELD FOR INVESTMENT

As of June 30, 2020, we held retail units in four properties that were developed and held by us for investment purpose, all of which were situated in Changzhou in Jiangsu Province, with a total gross floor area of 12,862 sq.m. For the three years ended December 31, 2019 and the six months ended June 30, 2020, our income from leasing out our investment properties amounted to RMB0.9 million, RMB1.8 million, RMB5.1 million (US\$0.7 million) and RMB2.6 million (US\$0.4 million), respectively.

COMPETITION

We have mainly operate in various cities in the Yangtze River Delta Region and expect to expand into other new markets outside of the region, such as the Central Region in the PRC. We believe that the residential property markets in the cities we have operated in, expect to expand into and elsewhere in the PRC are highly competitive and fragmented. Our existing and potential competitors include major domestic property developers, especially those operate in the aforesaid cities. The rapid development of these cities in recent years has led to a diminishing supply of undeveloped land in desirable locations 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.

We compete with other property developers in a number of aspects, including but not limited to land acquisition, brand recognition, financial resources, prices, product quality, service quality and other aspects. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and stronger brand recognition. There is no assurance that we will be able to continue to compete effectively in our industry. Please refer to “Risk Factors — Risks Relating to Our Industry — We face intense competition, which may materially and adversely affect our business, financial performance and results of operation” and “Risk Factors — Risks Relating to Our Business — Our growth and expansion into new cities, regions and new geographical markets present certain risks and uncertainties” in this offering memorandum for details.

Despite the high level of competition, we consider that we have demonstrated resilience to market changes and competition with our substantial experience and reputation in operational management, prudent project planning, cost management and high-quality property products and services. Further, given our brand recognition and strong execution capabilities, we believe we can react promptly to the challenges in the PRC real estate market.

INTELLECTUAL PROPERTY

As of the date of this offering memorandum, we had registered various trademarks and domain names in the PRC and Hong Kong.

INSURANCE

There are no national mandatory provisions under the applicable PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their property development operations. We do not maintain any insurance policies for our development projects. Instead, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreement. We maintain insurance, including social insurance, for our employees as required by applicable PRC laws and regulation and as we consider appropriate for our business operations.

As required by banks with respect to properties that have been pledged as collateral to secure bank loans, we have obtained property damage and third-party liability insurance for such properties in accordance with the relevant loan agreements.

We are of the view that we have maintained adequate insurance coverage for our operations and that the scope of our coverage is in line with the industry norms. However, there are certain risks that we are not insured or which we may not have sufficient insurance coverages for losses, damages and liabilities that may arise in the course of our business operation. Please refer to “Risk Factors — Risks Relating to Our Business — Current insurance coverage may not be adequate to cover all risks related to our operations” in this offering memorandum for details.

EMPLOYEES

As of June 30, 2020, we had 1,421 full-time employees, all of whom were based in the PRC. The following table sets forth a breakdown of our full-time employees by function as of June 30, 2020:

Function	Number of Employees	% of All Employees
Accounting & Finance	112	7.9%
Administration	17	1.2%
Design	43	3.0%
Engineering and cost management	172	12.1%
Human resources	12	0.8%
Integrated management	149	10.5%
Investment	49	3.4%
Operational	33	2.3%
Research & development	19	1.3%
Risk management	18	1.3%
Sales & marketing	797	56.2%
Total	<u>1,421</u>	<u>100.0%</u>

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities.

Pursuant to applicable laws and regulations, each of our development projects must undergo an environmental assessment before the commencement of construction. We must also adhere to the legal standards in connection to our projects’ design, construction and operation. We require our construction companies to comply with these standards during the construction process. We also encourage our construction companies to use environmental friendly equipment and technologies.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors and supervising the process of construction; (ii) review our projects in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects.

For the three years ended December 31, 2019 and the six months ended June 30, 2020, we incurred environmental compliance costs of RMB239,000, RMB15,000, RMB792,000 (US\$112,100), RMB103,175 (US\$14,604), respectively. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in the environmental protection rules and regulations.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we did not have any material breaches of environmental protection standards causing material adverse impact on our business operations and financial conditions.

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 suppliers and real estate agents, property purchase agreements with our customers and our guarantee of mortgage agreements entered into between our customers and mortgage banks, or other third parties.

As of June 30, 2020, we are not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to us to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

REGULATION

A summary of the most significant laws, regulations and rules that affect our business activities and operation in People's Republic of China is set out below.

LAWS AND REGULATIONS GOVERNING ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

Regulations on Establishment of a Real Estate Development Enterprise

In accordance with the Law of the People's Republic of China on Urban Real Estate Administration (《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, August 27, 2009 and August 26, 2019 that became effective on January 1, 2020, real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. According to 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, and amended on January 8, 2011, March 19, 2018, March 24, 2019 and March 27, 2020 that became effective on the same day, 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 have more than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and more than 2 full-time accountants with certificates of qualifications.

On May 25, 2009, the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment (《國務院關於調整固定資產投資項目資本金比例的通知》) issued by the State Council, which regulates that the minimum capital ratio of affordable housing and general commodity housing projects is 20%, and that of other real estate development projects is 30%. However, under the Notice of the State Council on Adjusting and Improving the Capital System for Fixed Asset Investment (《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 on September 9, 2015, the minimum capital requirement remains unchanged at 20% for affordable housing and ordinary commodity housing projects, the minimum capital requirement is adjusted from 30% to 25% for other real estate projects.

Regulations on Foreign Investment in Real Estate Enterprises

On June 23, 2020, the National Development and Reform Commission ("NDRC") and the Ministry of Commerce ("MOFCOM") jointly promulgated the Special Administrative Measures for Access of Foreign Investments (Negative List) (2020 version) (《外商投資准入特別管理措施(負面清單)(2020版)》) (the "Negative List"), which came into effect on July 23, 2020. According to the Negative List, real estate development does not falls within the Negative List for access of foreign investments.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the People's Bank of China ("PBOC"), the State Administration for Industry and Commerce and the State Administration of Foreign Exchange ("SAFE") jointly issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (《建設部、商務部、國家發展和改革委員會等關於規範房地產市場外資准入和管理的意見》) 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; (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 grant contract (《國有土地使用權出讓合同》), the construction land planning permit (《建設用地規劃許可證》), the construction work planning permit (《建設工程規劃許可證》) etc., and shall submit the land use right certificate (《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 joint venture engaged in real estate industry.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development (“MHURD”), the MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce and the SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《住房城鄉建設部、商務部、國家發展改革委等部門關於調整房地產市場外資准入和管理有關政策的通知》), which amended certain policies on foreign-invested real estate enterprises and property purchase by overseas organizations and individuals as stated in the Opinions on Regulating the Entry and Administration of Foreign Capital in the Real Estate Market (《建設部、商務部、國家發展和改革委員會等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 State Administration for Industry and Commerce on the Proportion of Registered Capital to Total Amount of Investment of a Sino-Foreign Equity Joint Ventures (《國家工商行政管理局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 effective on March 1, 1987; 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 has been canceled.

On June 18, 2008, the MOFCOM issued the Notice Regarding the Registration of Foreign-Invested Real Estate Industry (《商務部關於做好外商投資房地產業備案工作的通知》) (the “Circular 23”) and became effective on July 1, 2008, which requires that registration shall be preliminarily examined by the provincial branch of the MOFCOM before submitting to the MOFCOM for registration.

On November 6, 2015, the MOFCOM and the SAFE jointly issued the Circular on Further Improving the Registration of Foreign Investments in Real Estate (《商務部、外匯局關於進一步改進外商投資房地產備案工作的通知》), which simplifies the administrative procedures for, and improves the management of foreign-invested real estate companies. In accordance with the Circular, the local departments in charge shall approve the establishment and any corporate changes of foreign-invested real estate enterprises in accordance with the laws and statutes regarding foreign investment, and fill out the relevant information on real estate projects in the integrated foreign investment management information system of the MOFCOM as required. In addition, the public registration on the website of MOFCOM is canceled. Furthermore, the MOFCOM will randomly select foreign-invested real estate enterprises for examinations on a quarterly basis. The Circular 23 and the Circular on Further Improving the Registration of Foreign Investment in Real Estate were abolished by the Announcement of the Ministry of Commerce on the Abolition of Certain Regulatory Documents (《商務部關於廢止部分規範性文件的公告》) that issued by the MOFCOM on December 25, 2019 and became effective on January 1, 2020.

The incorporation and operation of companies in China is governed by the Company Law of the People’s Republic of China (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress on December 29, 1993, and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018. The PRC Company Law provides for two general types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of its assets. A shareholder’s liability is limited to the amount of registered capital contributed by such shareholder. The PRC Company Law shall also apply to foreign-invested companies.

And the Wholly Foreign Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》) as amended on September 3, 2016 and the Detailed Implementing Rules for the Wholly Foreign Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法實施細則》) as amended on February 19, 2014, and the Equity Joint Venture Law of the People's Republic of China (《中華人民共和國中外合資經營企業法》) promulgated in 1979 and last amended in 2016 and its implementation regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated in 1983 and last amended and became effective on March 2, 2019 regulate to establish a wholly foreign owned enterprise (the "WFOE") or a sino-foreign joint venture. On March 15, 2019, the National People's Congress approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "FIL"), which came into effect on January 1, 2020 and replaced the above laws on foreign investments in the PRC. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the relevant detailed implementing rules. The FIL embodies an expected PRC regulatory trend to rationalise its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in the PRC. The FIL establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

According to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors; (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC; (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors; or (iv) investments in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The FIL grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list". The FIL provides that foreign invested entities operating in restricted or prohibited industries for foreign investments will require market entry clearance and other approvals from relevant PRC governmental authorities.

Furthermore, the FIL provides that foreign-invested enterprises established according to the existing laws regulating foreign investments may maintain their structure and corporate governance within five years after the implementing of the FIL. In addition, the FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments with respect to policies to the foreign investors; foreign invested enterprises are allowed to public issue of stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within the PRC, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign-invested enterprises should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

Regulations on Qualification of a Real Estate Developer

Pursuant to 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 department of real estate development of the place where the registration authority is located. The competent department of real estate development shall, on the basis of the assets, specialized technical personnel and development and management achievements, verify the level of qualification of the real estate development enterprise in question. The real estate development enterprise shall, in accordance with the verified level of qualification, undertake corresponding real estate development projects. Relevant specific rules may be formulated by the competent administrative department of construction of the State Council.

Under 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 enterprises engaged in real estate development shall be approved in accordance with the provisions of application for the enterprise qualification level. Enterprises that fail to obtain certificates of real estate development qualification shall not engage in the real estate development business. Enterprises engaged in real estate development are classified into four qualification levels: Level I, Level II, Level III and Level IV in accordance with their experience of real estate development business, construction quality, the professional personnel they employ, and quality control system etc. A newly established real estate development enterprise shall, within 30 days from the date of issuance of the business license, file the relevant documents with the competent department of real estate development for the record. The competent departments of real estate development shall, within 30 days after accepting the applications, shall approve and issue a Temporary Qualification Certificate (《暫定資質證書》) to the eligible enterprise according to such conditions.

LAWS AND REGULATIONS GOVERNING LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

Regulations on Land Grants

In April 1988, the National People’s Congress passed an amendment to the Constitution of the People’s Republic of China (《中華人民共和國憲法》) which was last amended on March 11, 2018. 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. In December 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 last amended on August 26, 2019 and became effective on January 1, 2020 to permit the transfer of land use rights for value. In May 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 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.

Under the Provisions on Granting State-Owned Construction Land Use Right through Tenders, Auction and Listing-for-Bidding (《招標拍賣掛牌出讓國有建設用地使用權規定》) issued by the MNR (previously known as the Ministry of Land and Resources (國土資源部) on September 28, 2007 and took effect on November 1, 2007, 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. The processes shall be conducted openly and fairly. The MNR promulgated the Opinions on Maintaining and Improving the System of Land Bidding, Auction and Listing (《國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見》) in May 2011, which provides stipulations to improve policies on the supply of land through public tender, auction and listing-for-sale, and strengthen the active role of land transfer policy in the control of the real estate market.

On June 11, 2003, the MNR 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》), which became effective on August 1, 2003. Pursuant to the Regulations, the competent authorities of land and resources of the people's governments at municipal and county level shall transfer the usufruct of stated-owned land through agreements if there is only one land use applicant for a planned land zone. The land used for business purpose including commerce, tourism, entertainment, and commercial housing, etc., shall not be included.

On September 4, 2003, the MNR promulgated the Notice on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (《國土資源部關於加強城市建設用地審查報批工作有關問題的通知》). The Notice stressed the need to strengthen the review of real estate land use and optimize land use structure. Local land and resources departments at all levels shall reasonably determine the amount and proportion of all kinds of real estate land in the reported urban construction land according to the supply and demand situation of the local real estate market. According to the Notice, the land for urban construction submitted to the State Council for approval shall be described in written form in respect of the utilization of the land for real estate development approved, as well as the supply and demand of the real estate market, the price of real estate and the vacancy rate of houses in the city. The notice was abolished by the announcement regarding the publication of first batch of catalogues of regulatory documents that have been abolished or expired made by the Ministry of Natural Resources of the People's Republic of China (《自然資源部關於公佈第一批已廢止或者失效的規範性文件目錄的公告》) that was promulgated and became effective on June 26, 2019.

The Circular of MNR and NDRC on the Issue and Implementation of the Catalog of Restricted Land Use Projects (2012 edition) and the Catalog of Prohibited Land Use Projects (2012 edition) (《國土資源部、國家發展和改革委員會關於發佈實施〈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 and became effective on May 23, 2012. Pursuant to the Circular, all construction projects listed in the Restricted Catalog must meet the requirements stipulated in the Catalog before the land and resources management department and the investment management department going through the relevant formalities. The land and resources management department and the investment management department shall not go through relevant formalities for construction projects listed in the Prohibited Catalog or those with the listed technology, equipment and scale.

Regulations on Development of a Real Estate Project

According to the Urban Real Estate Law, those who have obtained the right of land use by way of grant for real estate development must develop the land in accordance with the land use and the construction period as prescribed in the grant contract. When the development has not started one year later than the date for starting the development as prescribed by the grant contract, an idle land fee no more than 20% of the land grant premium may be collected and when the development has not started two years later, the right to use the land may be confiscated without any compensation, except that the delays are caused by force majeure, the activities of government, or the necessary preparatory work for starting the development.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated on April 26, 1999 by the MNR, which was further amended on June 1, 2012 and took effect on July 1, 2012, land can be defined as idle land under any of the following circumstances: (i) development and construction of the state-owned idle land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or (ii) 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 choose the methods for disposal in accordance with the Measures on Disposal of Idle Land.

On December 4, 1992, the Ministry of Construction promulgated 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》), which was amended on January 26, 2011, a real estate developer shall apply for a construction land planning permit (《建設用地規劃許可證》) from the municipal planning authority. After obtaining the construction land planning permit, 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 on April 23, 2019, and a construction work planning permit (《建設工程規劃許可證》) from the municipal planning authority should be obtained. 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 subsequently amended on July 4, 2001, June 25, 2014 and September 28, 2018.

Pursuant to Administrative Regulations on the Quality Management of Construction Engineering (《建設工程質量管理條例》) promulgated on January 30, 2000 by State Council and late amended on October 7, 2017 and on April 23, 2019, the owners of construction engineering shall, within fifteen days of the date on which the construction project in question passes a completion-based check and acceptance, submit an acceptance report, recognition documents or use approval documents issued by planning, public security and firefighting, environmental protection and other departments to the competent construction administrative departments or other relevant departments for the record. Pursuant to “the Development Regulations”, the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《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 Housing and Urban-Rural Construction on April 4, 2000 and amended on October 19, 2009 and the Circular of the Ministry of Housing and Urban-Rural Construction on the Issuance of Regulations on Acceptance Examination upon Completion of Housing Construction and Municipal Infrastructure Projects (《住房和城鄉建設部關於印發〈房屋建築和市政基礎設施工程竣工驗收規定〉的通知》) promulgated and implemented on December 2, 2013, upon the completion of real estate development project, the real estate development must undergo inspection and receive approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. A real estate project shall not be delivered before passing the acceptance examination.

LAWS AND REGULATIONS GOVERNING REAL ESTATE TRANSFER AND SALE AND LEASE

Regulations on Sale of Commodity Buildings

Under the Measures for Administration of Sale of Commodity Buildings (《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 buildings can include both sales prior to and after the completion of the buildings.

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 subsequently amended on August 15, 2001 and July 20, 2004 (the “Pre-sales Measures”), any pre-sales of commodity buildings is subject to specified procedures. If a real estate developer intends to sell commodity buildings in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit. Under the Pre-sales Measures and the Urban Real Estate Law, the pre-sale proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects. Further, in some cities we operate, the use of pre-sale proceeds is specifically restricted, where the pre-sale proceeds of our properties must be deposited in escrow accounts and can only be used to purchase the necessary construction materials and equipment, make construction stage payment, pay statutory taxes for the relevant development projects subject to prior consent from the relevant local government authorities.

Under the Sale Measures, commodity buildings may be put to post-completion sale only when the following preconditions 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 a 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 work planning permit and the construction work commencement permits; (iv) the commodity buildings 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 of have been specified; and (vii) the property management plan has been completed.

Notice on Promulgation of the Provisions on Listed Pricing in Sale of Commodity Buildings (《關於發佈〈商品房銷售明碼標價規定〉的通知》) 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 commodity properties.

On April 13, 2010, the MHURD promulgated the Circular on Issues Concerning Further Strengthening the Supervision and Administration of the Real Estate Market and Improving the Pre-Sale System of Commodity Housing (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》). The Circular requires to improve monitoring systems of pre-sale payment. Improvement of commodity housing pre-sale capital supervision system shall be accelerated. Regions that have not established the supervision system shall accelerate the formulation of local supervision measures of commodity housing pre-sale capitals. All commodity housing pre-sale capitals shall be put into the supervision accounts to be subject to the supervision by supervisory authorities so as to ensure that pre-sale capitals to be used on construction of commodity premise projects; pre-sale capital will be allocated in line with construction progresses, provided that enough capitals shall be reserved to ensure completion and delivery of the projects. According to the actual situation, each region has formulated its own measures on supervision and administration of commodity housing pre-sale funds.

Regulations on Industry Policies

On April 17, 2010, the State Council issued the Notice on Resolutely Restraining Over-rise of Housing Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which requires that each district and each department practically implement their duty to stabilize housing prices and residential housing guarantees and unreasonable housing demands should be strictly restricted. On February 26, 2013, the General Office of the State Council issued the Notice on Continuous Regulation of Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) which 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) home purchase restrictions, (ii) increased down payment requirement for second residential buildings purchase, (iii) suspending mortgage financing for third or more residential-buildings purchase and (iv) 20% individual income tax rate applied to the gain from the sale of buildings. The Notice requires, among other restrictive measures, to improve the responsibility system for stabilizing housing prices and restrain purchases of residential housing for investment and speculation purposes.

Regulations on Anti-Unfair Competition

Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) promulgated on September 2, 1993, subsequently amended on November 4, 2017, April 23, 2019 and effective as of April 23, 2019, which was formulated by Standing Committee of the National People's Congress for the purpose of promoting the healthy development of the socialist market economy, encouraging and protecting fair competition, preventing acts of unfair competition, and protecting the

legitimate rights and interests of business operators and consumers. According to the Anti-Unfair Competition Law of the People's Republic of China, the premium sale shall not involve the following situations: (1) premium sale without specifying the prize types, terms for prizes redemption, the amounts of cash prizes, or other related information that will affect the prizes redemption; (2) conducting prize-giving sales in a fraudulent way that falsely claims to have prizes or deliberately gives prizes to designated persons; and (3) premium sale in the form of a lucky draw where the amount of the highest prize exceeds RMB50,000.

The Notice on Further Improving Differentiated Housing Credit Lending Policies (《中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知》) issued by PBOC and the China Banking Regulatory Commission (“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 its 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.

According to the Notice on Issues Concerning the Housing Loan Policy for Individuals promulgated by PBOC, MOHURD and CBRC (《中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知》) on March 30, 2015 and the Circular of the PBOC and the CBRC on Issues Relevant to the Adjustment of Personal Housing Loan Policy (《中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知》) promulgated 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.

Regulations on 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 purpose of these measures, “Trust Company” shall mean any financial institution established pursuant to the PRC Company Law and the Measures for Administration of Trust companies, 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 Business 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 that have not obtained the requisite land use right certificates, construction land planning licenses, construction work planning licenses and construction work commencement licenses.

Regulations on Lease and Mortgage of Buildings

Both the Development 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, the MHURD promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the “New Lease Measures”), which become effective on February 1, 2011. Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after the execution of lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. Under the Contract Law of the People’s Republic of China (《中華人民共和國合同法》) promulgated on March 15, 1999, the term of a leasing contract shall not exceed 20 years.

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》) issued on March 16, 2007, the Guarantee Law of the People’s Republic of China (《中華人民共和國擔保法》) issued on June 30, 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) issued on May 9, 1997 and amended on August 15, 2001. 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 simultaneously created on the land use right of the land on which the building is situated. The mortgagor and the mortgagee shall sign 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 parties to the mortgage 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 to the mortgagee.

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 which was late amended and became effective 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 MNR on January 1, 2016 which was late amended and became effective on July 24, 2019, provide 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.

LAWS AND REGULATIONS GOVERNING CONSTRUCTION PROJECTS

Regulations on Fire Prevention Management

According to the Fire Prevention Law of the People’s Republic of China (《中華人民共和國消防法》) promulgated by the Standing Committee of the National People’s Congress on April 29, 1998 which was amended on October 28, 2008 and on April 23, 2019, fire prevention facilities design and works for construction projects shall conform to state’s fire prevention technical standards for engineering construction. Pursuant to Supervision and Administration of Fire Prevention of Construction Projects (《建設工程消防監督管理規定》) promulgated by the Ministry of Public Security on April 30, 2009, which was later amended on July 17, 2012 and took effect on November 1, 2012, the Provisions shall apply to the fire prevention supervision and administration of new construction, expansion, reconstruction (including indoor and outdoor improvement, thermal insulation in buildings and modification of uses) and other construction projects. This provisions also specifies the procedure and standard for review of fire facilities design and acceptance of fire prevention facilities.

However, the above-mentioned Supervision and Administration of Fire Prevention of Construction Projects was decided to be abolished by Ministry of Public Security. Such decision was promulgated on May 29, 2020 and became effective on June 1, 2020. According to the Circular of the MHURD and Ministry of Emergency Management on Handing over the Responsibility for the Fire Prevention Design Review and Final Inspection of Construction Projects (《住房和城鄉建設部、應急管理部關於做好移交承接建設工程消防設計審查驗收職責的通知》), which was promulgated and took effective on March 27, 2019, all regions shall complete the handover work before June 30, 2019 from fire and rescue agencies at all levels to housing and urban-rural development authorities. On April 1, 2020, the MHURD issued Interim Provisions on the Administration of the Fire Prevention Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which became effective on June 1, 2020, the Provisions shall apply to the fire prevention design review and final inspection of special construction projects as well as the fire prevention acceptance record and random inspection of other construction projects. The Implementing rules of the Fire Prevention Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收工作細則》), which was promulgated by the MHURD and became effective on June 16, 2020, specifies the procedure and standard for fire prevention design review and final inspection of special construction projects as well as the fire prevention acceptance record and random inspection of other construction projects.

Regulations on Civil Air Defense Property

Pursuant to Law of the People's Republic of China on National Defense (《中華人民共和國國防法》) promulgated by the Standing Committee of the National People's Congress on March 14, 1997, amended on August 27, 2009, national defense assets are owned by the state. Pursuant to Civil Air Defense Law of the People's Republic of China (《中華人民共和國人民防空法》), promulgated on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The State protects civil air defense facilities from damage. All organizations and individuals are prohibited to destroy or seize civil air defense facilities. The State encourages and supports enterprises, institutions, public organizations and individuals to invest in various ways in construction of civil air defense works. In time of peace, such works shall be used and managed by the investors and the income therefrom shall be owned by them. 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 (《國家人民防空辦公室關於頒佈〈人民防空工程平時開發利用管理辦法〉的通知》) 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.

Regulations on 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》) amended on April 24, 2014, 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》) issued on October 29, 1996 and amended on December 29, 2018, 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》) issued on October 28, 2002 and became effective on September 1, 2003, amended on July 2, 2016 and December 29, 2018, the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》) issued on November 29, 1998 and amended on July 16, 2017 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》) issued on December 27, 2001 and amended February 1, 2002 amended on December 22, 2010. Pursuant to these laws and regulations, for a construction project for which an environmental impact report or environmental impact statement shall be prepared, the construction unit shall submit, before starting construction, the environmental impact report or environmental impact statement to the competent administrative department of environmental protection with the authority of examination and approval for approval. For a construction

project for which an environmental impact registration form shall be filled in accordance with the law, the construction unit shall submit the environmental impact registration form to the competent administrative department of environmental protection at the county level of the locality of the construction project for record-filing, according to the provisions of the competent administrative department of environmental protection under the State Council. After the construction of a construction project for which an environmental impact report or environmental impact statement prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

LAWS AND REGULATIONS GOVERNING FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Regulations on Foreign Exchange

The Foreign Exchange Administration Rules of the People's Republic of China (《中華人民共和國外匯管理條例》), promulgated on January 29, 1996 and last amended on August 5, 2008 by State Council, Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated on June 20, 1996 by PBOC, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "SAFE Circular No. 59") promulgated by SAFE on November 19, 2012, that became effective on December 17, 2012 and was further amended on May 4, 2015, October 10, 2018 and December 30, 2019, the approval for opening of the up-front fee foreign exchange account, foreign exchange capital account, asset realization account, and margin account has been canceled. The banks shall handle the account opening formalities for relevant account-opening subjects based on the information registered in the relevant operation system of the administration of foreign exchange. SAFE Circular No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

The Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular No. 19") was promulgated on March 30, 2015 and became effective on June 1, 2015, and was amended on June 9, 2016, December 30, 2019 respectively. According to the SAFE Circular No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Notice No.16”) was promulgated and became effective on June 9, 2016. According to the SAFE Notice No.16, enterprises registered in mainland China may also convert their foreign debts from foreign currency into RMB on self-discretionary basis. The SAFE Notice No.16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in mainland China. The SAFE Notice No.16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within mainland China unless otherwise specifically provided. Besides, the converted RMB shall not be used to make loans for unrelated enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

Regulations on Dividend Distribution

The PRC Company Law, the FIL and its implementation law, regulate the distribution of dividends by foreign invested enterprises. Under the laws and regulations above, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. Wholly foreign owned enterprises are required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves have reached 50% of its registered capital. These reserves are not distributable as cash dividends.

LAWS AND REGULATIONS GOVERNING TAXATION

Regulations on Enterprise Income Tax

On March 16, 2007, the National People’s Congress promulgated the Law of the People’s Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) on January 1, 2008 which amended and became effective on April 23, 2019 (collectively, the “EIT Law”). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment institutions or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside mainland China.

Regulations on Value-added Tax

The Provisional Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009 and subsequently amended on February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the People’s Republic of China on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) were promulgated by the Ministry of Finance and the State Administration of Taxation (“SAT”) on December 15, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “VAT Law”). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of mainland China must pay value-added tax. For general VAT taxpayers selling or importing goods other than

those specifically listed in the VAT Law, the value-added tax rate is 17%. On April 4, 2018, the Ministry of Finance and the SAT promulgated the Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》), which reduced the tax rates for sale, import, and export of goods.

On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改征增值稅試點的通知》) (the “Circular 36”) which has been partially repealed on July 1, 2017 and January 1, 2018, confirms that business tax would be completely replaced by VAT from May 1, 2016.

Announcement of the SAT on Promulgating the Administrative Measures for the Exemption of Value-added Tax on Cross-border Taxable Activities under the Collection of Value-added Tax in Lieu of Business Tax (for Trial Implementation) (《國家稅務總局關於發佈〈營業稅改征增值稅跨境應稅行為增值稅免稅管理辦法(試行)〉的公告》), which was promulgated on May 6, 2016 and amended on June 15, 2018, provides that if a domestic enterprise provides cross-border taxable services such as technology transfer, technical consulting, software service etc., the above mentioned cross-border taxable services shall be exempt from the value-added tax.

On January 8, 2011, the State Council promulgated the Interim Regulations of the People’s Republic of China on Land Value Increment Tax (Revised in 2011) (《中華人民共和國土地增值稅暫行條例(2011年修訂)》). On January 27, 1995, the Circular of SAT and the Ministry of Finance on Printing and Issuing the Detailed Rules for Implementing the Interim Regulations of the People’s Republic of China on Land Value-Added Tax (《財政部、國家稅務總局關於印發〈中華人民共和國土地增值稅暫行條例實施細則〉的通知》). According to the regulations above, all entities and individuals receiving income from the transfer of state-owned land use rights, ground buildings and their attachments (the “transfer of real estate”) are taxpayers of the land value increment tax (the “taxpayers”), land value increment tax shall be assessed and collected based on the amount of increased value received by the taxpayers from the transfer of real estate and the tax rates prescribed in the Regulations. Four levels of progressive rates will be adopted for the land value increment tax: a) for part of the amount of increased value not exceeding 50% of the sum of deductible items, the tax rate is 30%; b) for the part of the amount of increased value exceeding 50% but not exceeding 100% of the sum of deductible items, the tax rate is 40%; c) for the part of the amount of increased value exceeding 100% but not exceeding 200% of the sum of deductible items, the tax rate is 50%; d) for the part of the amount of increased value exceeding 200% of the sum of deductible items, the tax rate is 60%. Taxpayers shall declare tax to the competent tax authorities where the real estate is located within seven days of signing the real estate transfer agreements, and pay the land value increment tax within the period specified by the tax authorities.

On March 20, 2019, Ministry of Finance, State Administration of Taxation, General Administration of Customs promulgated the Announcement of Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) which became effective on April 1, 2019. For general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

Regulations on Business Tax of Real Estate Transfer

The Notice of the Ministry of Finance and the SAT on Adjustments to Policies on Business Tax on Transfer of Housing by Individuals (《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》) promulgated on March 30, 2015 and effective on March 31, 2015 provides that where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

The Notice of the Ministry of Finance, the SAT and the MHURD 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 effective on February 22, 2016 provides that: (1) the purchase of a property by an individual as the only house for his/her family (covering the purchaser and the spouse and minor children thereof) is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 1.5% if the area is over 90 square meters; and (2) 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 square meters or less, or 2% if the area is over 90 square meters. 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.

Regulations on Dividend Withholding Tax

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises”, and gains derived by such investors, which (a) do not have an establishment or place of business in mainland China or (b) have an establishment or place of business in mainland China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within mainland China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our foreign shareholders reside.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Double Tax Avoidance Arrangement”) issued on August 21, 2006, and other applicable mainland Chinese laws, if a Hong Kong resident enterprise is determined by the competent tax authority in mainland China to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “Notice No. 81”) issued on February 20, 2009 by the SAT, if the relevant Chinese tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such Chinese tax authorities may adjust the preferential tax treatment.

Based on Notice on How to Understand and Determine the “Beneficial Owners” in Tax Agreements (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) (the “Notice No. 601”), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. On February 3, 2018, SAT issued the Announcement on Issues Relating to “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which became effective on April 1, 2018 and “the Notice 601” was repealed simultaneously. The Announcement of the SAT on Issues Relating to “Beneficial Owner” in Tax Treaties stipulates issues relating to determination of “beneficial owner” status in clauses of tax treaties on dividends, interest and royalties.

According to the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers (“The Measures”) (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which was promulgated on October 14, 2019 and became effective on January 1, 2020. The Measures prescribe that, regarding entitlement to treaty benefits for non-resident taxpayers, a non-resident taxpayer shall make a self-judgment as to whether it is eligible for treaty benefits, and if yes, file an application voluntarily for such benefits and retain relevant materials for future reference. In case a non-resident taxpayer voluntarily claims the treaty benefits, as it believes it meets the conditions for enjoying treaty benefits and needs to enjoy them, it shall submit the Information Reporting Form for Entitlement to Treaty Benefits for Non-resident Taxpayers together with the application, and gather together and retain the materials specified in the Measures for future reference. Moreover, the Measures expressly state that where a non-resident taxpayer finds that it is not eligible to enjoy but has already enjoyed the treaty benefits, which results in fewer or no tax payments, it shall voluntarily file tax returns with the competent tax authority and pay the tax arrears. Competent tax authorities shall establish credit records for those non-resident taxpayers that enjoy treaty benefits in an inappropriate manner, and take follow-up administrative measures accordingly.

According to the Notice on Widening the Scope of Application of Temporary Waiver for Withholding Income Tax for Overseas Investors Using Distributed Profits for Direct Investments (《關於擴大境外投資者以分配利潤直接投資暫不徵收預提所得稅政策適用範圍的通知》) jointly issued by Ministry of Finance, SAT, the NDRC and the MOFCOM on September 29, 2018 which became effective on January 1, 2018, for the profits distributed by overseas investors from domestic resident enterprises in China, the scope of application of withholding income tax policy for domestic direct investment shall be extended from the foreign investment encouraged projects to cover all non-prohibited foreign investment projects and fields.

LAWS AND REGULATIONS GOVERNING INTELLECTUAL PROPERTY RIGHTS

Regulations on Trademark

Trademarks are protected by the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) (the “Trademark Law”) which was promulgated on August 23, 1982 which was subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 respectively and became effective on November 11, 2019 as well as the Implementation Regulation of the Trademark Law of the People’s Republic of China (Revised in 2014) (《中華人民共和國商標法實施條例(2014年修訂)》) adopted by the State Council on April 29, 2014. According to the Trademark Law, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the State Administration of Industry and Commerce, handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As for trademarks, the Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Regulations on Domain Name

Internet domain name registration and related matters are primarily regulated by Implementing Rules of National Top Level Domain Name Registration (《國家頂級域名註冊實施細則》) issued by China Internet Network Information Center (“CNNIC”), which became effective on June 18, 2019, the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), issued by the MIIT on August 24, 2017 and effective as of November 1, 2017, and the Measures of National Top Level Domain Name Dispute Resolution (《國家頂級域名爭議解決辦法》) became effective on June 18, 2019. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS GOVERNING LABOR PROTECTION

The Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) (the “Labor Contract Law”), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee and employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

According to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and became effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in mainland China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated on January 22, 1999 which amended and became effective on March 24, 2019 and the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in mainland China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019 respectively, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

MANAGEMENT

DIRECTORS

Our board of directors consists of eight Directors, among which there are three executive Directors, two non-executive Directors, and three independent non-executive Directors.

The following table sets out certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Present position</u>
Mr. Lui Wing Wai (呂永懷)	57	Executive Director and Chairman of the Board and CEO
Mr. Lui Wing Mau (呂永茂)	67	Non-executive Director
Mr. Lui Wing Nam (呂永南)	64	Non-executive Director
Mr. Lui Jin Ling (呂進亮)	37	Executive Director
Mr. Lui Chi Chung Jimmy (呂志聰)	39	Executive Director
Mr. Wan Ho Yin (溫浩然)	43	Independent non-executive director
Mr. Guo Shaomu (郭少牧)	54	Independent non-executive director
Ms. Tang Lo Nar (鄧露娜)	47	Independent non-executive director

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>
Mr. Xie Jian Qing (謝劍青)	58
Mr. Qiu Kai Bing (裘開兵)	49
Mr. Chen Wen Liang (陳文涼)	52
Mr. Dai Xiao Feng (戴小峰)	40
Mr. Wang Guo Zhen (王國震)	41
Mr. Zhu Hui (朱檜)	36
Mr. Lam Yu Tin Eugene (林雨田)	42

Executive Directors

Mr. Lui Wing Wai (呂永懷), aged 57, is one of our executive Directors, one of the founders of us, our chairman of the Board and CEO. He is responsible for formulating and overseeing our strategic planning. He was appointed as a Director on October 8, 2018 and is re-designated as an executive Director on September 17, 2019. Since our establishment, Mr. Lui has gained 12 years of experience in the property development industry. Mr. Lui has also served as a director of our various subsidiaries, including Ganglong Realty, Ganglong Mingyang, Ganglong Huayang, Yancheng Ganglong and Jiangsu Ganghua, since August 2007, February 2010, November 2012, August 2010 and August 2013, respectively. Prior to founding us, Mr. Lui manages and operates the business in Kin Hing Hong Textiles Limited, a company principally engaged in trading of textile product from March 1993 to June 2005 as a director. Mr. Lui completed EMBA courses in Nanjing University of Science and Technology in Nanjing in 2013. Mr. Lui is the younger brother of Mr. Lui Wing Mau and Mr. Lui Wing Nam; the uncle of Mr. Lui Chi Chung Jimmy and Mr. Lui Jin Ling; and the younger cousin of Mr. Xie Jian Qing.

Mr. Lui Jin Ling (呂進亮), aged 37, is one of our executive Directors and one of the founders of us. He is responsible for overseeing our cost planning and management functions. He was appointed as a Director on October 8, 2018 and is re-designated as an executive Director on September 17, 2019. Prior to founding us, Mr. Lui joined Kin Hing Hong Textiles Limited in April 2006 as a marketing manager and was responsible for its daily operation and marketing; and he remained involved in customer relationship management on part-time basis since shifting his business focus to us in July 2007. Since our establishment, Mr. Lui has gained 12 years of experience in the property development industry. Mr. Lui has also served as a director of our various subsidiaries, including Ganglong Realty, Ganglong Mingyang, Ganglong Huayang, Yancheng Ganglong, Ganglong Zhongyang and Luoyang Ganglong, since August 2007, February 2010, November 2012, August 2010, April 2018 and April 2018, respectively. Mr. Lui studied Computer Engineering at the University of California, Irvine from January 2004 to March 2005. Mr. Lui is the son of Mr. Lui Wing Mau; the nephew of Mr. Lui Wing Nam and Mr. Lui Wing Wai; the younger cousin of Mr. Lui Chi Chung Jimmy; and the nephew of Mr. Xie Jian Qing.

Mr. Lui Chi Chung Jimmy (呂志聰), aged 39, is one of our executive Directors and one of the founders of us. He is responsible for overseeing our risk management functions. He was appointed as a Director on October 8, 2018 and was appointed as an executive Director on September 17, 2019. Prior to founding us, Mr. Lui joined Kin Hing Hong Textiles Limited from January 2005 as a marketing manager and was responsible for its daily operation and marketing; and he remained involved in customer relationship management on part-time basis since shifting his business focus to us in July 2007. Since our establishment, Mr. Lui has gained 12 years of experience in the property development industry. Mr. Lui Chi Chung Jimmy has served as the director of our various subsidiaries, including Ganglong Realty, Ganglong Mingyang and Ganglong Huayang since August 2007, February 2010 and October 2016. Mr. Lui obtained a Bachelor of Science in Business Administration in January 2005 from Chapman University in the United States. Mr. Lui is the son of Mr. Lui Wing Nam; the nephew of Mr. Lui Wing Mau and Mr. Lui Wing Wai; the elder cousin of Mr. Lui Jin Ling; and the nephew of Mr. Xie Jian Qing.

Non-executive Directors

Mr. Lui Wing Mau (呂永茂), aged 67, is one of our non-executive Directors and one of the founders of us. He was responsible for advising on strategy and overall development of us. He was appointed as a Director on October 8, 2018 and is appointed as a non-executive Director on September 17, 2019. Mr. Lui has also served as a director of Ganglong Huayang, one of our subsidiaries, since November 2012. Prior to founding us, Mr. Lui manages and operates the business in Kin Hing Hong Textiles Limited, a company principally engaged in trading of textile products from March 1993 to June 2005 as a director and remains responsible for the overall business strategy and business direction thereafter. Mr. Lui completed his secondary education in the PRC in the 1960s. Mr. Lui is the father of Mr. Lui Jin Ling; the elder brother of Mr. Lui Wing Nam and Mr. Lui Wing Wai; the uncle of Mr. Lui Chi Chung Jimmy; and the elder cousin of Mr. Xie Jian Qing.

Mr. Lui Wing Nam (呂永南), aged 64, is one of our non-executive Directors and one of the founders of our Group. He is responsible for advising on strategy and overall development of our Group. He was appointed as a Director on October 8, 2018 and is appointed as a non-executive Director on September 17, 2019. Mr. Lui has also served as a director of our various subsidiaries, including Ganglong Realty, Ganglong Mingyang, Ganglong Huayang and Yancheng Ganglong, since August 2007, February 2010, November 2012 and August 2010, respectively. Prior to founding us, Mr. Lui manages and operates the business in Kin Hing Hong Textiles Limited, a company principally engaged in trading of textile products from March 1993 to June 2005 as a director and remains responsible for the overall business strategy and business direction thereafter. Mr. Lui completed his secondary education in the PRC in the 1970s. Mr. Lui is the father of Mr. Lui Chi Chung Jimmy; the younger brother of Mr. Lui Wing Mau and the elder brother of Mr. Lui Wing Wai; the uncle of Mr. Lui Jin Ling; and the elder cousin of Mr. Xie Jian Qing.

Independent Non-executive Directors

Mr. Wan Ho Yin (溫浩然), aged 43, is appointed as an independent non-executive Director on June 20, 2020. He is responsible for providing independent advice to our Board. He is also a member of the Remuneration Committee and Nomination Committee and the chairman of the Audit Committee of our Board. Mr. Wan has more than 18 years of experience in accounting and finance. He started his career in Ernst & Young, an international accounting firm, from December 2000 to September 2004 and was promoted to the position of senior accountant. Mr. Wan then served as an accountant with the finance and accounts department for Asia Standard International Group Limited from August 2004 to October 2005. After that, he was employed as senior accountant by Denox Management Limited from October 2005 to April 2006. He then worked with audit department of Deloitte Touche Tohmatsu from April 2006 to September 2014 and left as senior manager. Mr. Wan has joined Man King Holdings Limited (stock code: 2193), a construction and civil engineering service provider, since September 2014 as chief financial officer and company secretary, and is primarily responsible for its financial affairs, engaging and overseeing all aspects of the corporate financial activities, internal control, treasury and investors' relation. Mr. Wan was also appointed as a non-executive director in June 2017 of Twintek Investment Holdings Limited (stock code: 6182), a building materials and relevant installation service provider, and is mainly responsible for advising the internal audit function and performing independent appraisal of the adequacy and effectiveness of our risk management and internal control systems. Mr. Wan graduated with a bachelor degree of business administration in accounting from Hong Kong Baptist University in December 1999. He was admitted as a member of the Association of Chartered Certified Accountants in June 2003. He was also admitted as an associate of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in May 2003.

Mr. Guo Shaomu (郭少牧), aged 54, is appointed as an independent non-executive Director on June 20, 2020. He is responsible for providing independent advice to our Board. He is also a member of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee of our Board. Mr. Guo has over 13 years of experience in investment banking in Hong Kong. From February 2000 to February 2001, Mr. Guo worked in Salomon Smith Barney, an investment bank principally engaged in providing financial services (then an investment banking arm of Citigroup Inc.), where he served as an associate and he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo worked in HSBC Markets (Asia) Limited, an investment bank principally engaged in providing financial services, where his last position is associate director and he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo worked in J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where his last position was executive director in Investment Coverage/Merger & Acquisition Department and he was primarily responsible for marketing efforts covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo worked in the real estate team of Morgan Stanley Asia Limited, an investment bank principally engaged in providing financial services, where his last position is a managing director in the Investment Banking Division and he was one of the key members responsible for the business in the real estate sector in the Greater China region. Since June 2014, Mr. Guo has been an independent non-executive director of Yida China Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3639), a real estate developer in the PRC. Since February 2015, Mr. Guo has

been an independent non-executive director of Fantasia Holdings Group Co., Limited (a company listed on the Main Board of the Stock Exchange. stock code: 1777), a real estate developer in the PRC. Mr. Guo obtained his Bachelor's degree in electrical engineering from Zhejiang University in July 1989, a Master's degree in computer engineering from the University of Southern California in May 1993 and a Master's degree in business administration from the School of Management of Yale University in May 1998.

Ms. Tang Lo Nar (鄧露娜), aged 47, is appointed as an independent non-executive Director on June 20, 2020. She is responsible for providing independent advice to our Board. She is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of our Board. Ms. Tang has over 24 years of experience in accounting, tax, audit, company secretarial and finance. She began her career by joining Ernst & Young, an international accounting firm in September 1995 where she last served as a Senior Staff Accountant II. Ms. Tang then joined KPMG Tax Limited, an international tax service provider in March 2001, where she was involved in a wide range of tax compliance and advisory tasks and left in August 2004 as a Tax Manager. Ms. Tang began her own business by establishing TLN Co., Ltd. in Hong Kong in August 2004 to provide accounting, management consultancy, tax planning and company secretarial services. Ms. Tang was the company secretary of two Hong Kong Main Board listed companies, namely Asia Resources Holdings Limited (stock code: 899) and Karce International Holdings Company Limited (currently known as Starlight Culture Entertainment Group Limited) (stock code: 1159), for the periods from December 2008 to April 2010 and from January 2009 to April 2010 respectively. She was then the company secretary of Yueshou Environmental Holdings Limited (currently known as China Gem Holdings Limited) (stock code:1191), which is principally engaged in the provision of financial service from March 2012 to October 2014. Ms. Tang also took up the role as the company secretary for ISP Global Limited (stock code: 8487), a company principally engaged in the sale of sound and communication systems and related services since September 2018. Ms. Tang joined Shuanghua Holdings Limited (stock code: 1241), a China-based company principally engaged in the manufacture and sales of auto air-conditioner parts and components since May 2011 as the chief financial officer and the company secretary, and she was re-elected as an executive director in June 2015. Ms. Tang obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in October 1995. She further obtained a master degree in English for the professions from The Hong Kong Polytechnic University and another master degree in applied finance from University of Western Sydney in November 2002 and September 2004 respectively. She is a Fellow of the Association of chartered Certified Accountants and a member of Hong Kong Society of Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

SENIOR MANAGEMENT

Mr. Xie Jianqing (謝劍青), aged 58, is our executive president. He joined us in August 2007. He is responsible for overseeing our administration and human resources management function. Prior to joining us, he worked as a researcher at the Fujian Institute of Tropical Crops* (福建省熱帶作物科學研究所), an institute under the agricultural department of Fujian Province, which specializes in the research of tropical and subtropical crops from August 1983 to March 1993. He was the executive director, legal representative and majority shareholder of Zhangzhou Qingya Garden Development Co., Ltd. (漳州市青亞園林開發有限公司) until 2016, a company which was principally engaged in landscape engineering. Mr. Xie obtained Bachelor of Agriculture, with a specialization in Horticulture from Fujian College of Agriculture* (福建農學院) in July 1983. Mr. Xie is the younger cousin of Mr. Lui Wing Mau, Mr. Lui Wing Nam and the elder cousin of Mr. Lui Wing Wai.

Mr. Qiu Kaibing (裘開兵), aged 49, is one of our vice-presidents. He joined us in October 2017. He is responsible for overseeing our accounting, financial planning, tax and treasury functions. Mr. Qiu has more than 25 years of experience in accounting and finance. From November 1993 to May 2003, he worked in Paralight Nan Jing Electronics Co., Ltd.* (南京華鼎電子有限公司), a company which is principally engaged in manufacturing of LED light and its affiliate companies, where his last position is finance manager. From June 2003 to September 2015, Mr. Qiu worked as financial controller in various subsidiaries in Yurun Group Company Limited* (雨潤控股集團有限公司), a conglomerate based in Nanjing. From September 2015 to February 2016, he worked in Jiangsu Jindadi Property Development Co., Ltd (江蘇金大地房地產開發有限責任公司) as the general manager in the finance department. From April 2016 to September 2016, he worked in Jiuhejian Investment Co., Ltd.* (九合建投資有限公司) as the chief officer in the corporate finance department. Mr. Qiu studied in Advance Program on Business Management for Corporate Executive (企業總裁工商管理高級研修班) in Tsinghua University, in December 2013. Mr. Qiu graduated from a four-year program in 輕工業部南京機電學校 (Ministry of Light Industry Nanjing Electrical and Mechanical School) majoring in industrial management (foreign accounting) in July 1991.

Mr. Chen Wenliang (陳文涼), aged 52, is one of our vice-presidents and he is primarily responsible for overseeing our investment function. He joined us in January 2008. Prior to joining us, Mr. Chen worked at Jiangsu Changfa Property Co., Ltd. (江蘇常發地產集團有限公司) from February 2003 to September 2007, where his last position is the regional general manager of the Changzhou office. Before that, Mr. Chen worked at Changzhou City Development Co., Ltd. (常州市城市綜合開發公司), a company principally engaged in property development, where his last position was deputy manager. Mr. Chen obtained a Bachelor's degree in Engineering (Civil Engineering) from Southeast University (東南大學) in July 1990. He held the Engineer qualification issued by the Personnel Bureau of Changzhou City* (常州市人事局) since October 2002.

Mr. Dai Xiaofeng (戴小峰), aged 40, is one of our vice-presidents, and has been with us since May 2018. Mr. Dai is responsible for overseeing the project operation of us. From August 2002 to October 2004, Mr. Dai was an assistant engineer at China Construction Eighth Division Installation Co., Ltd.* (中建八局安裝公司), a construction contractor. From October 2004 to May 2016, Mr. Dai worked in Jiangsu Changfa Property Group Co., Ltd.* (江蘇常發地產集團有限公司), his last position was president of Jiangsu Changfa Property Group Co., Ltd.. Mr. Dai then worked at Zhongnan Real Estate Jinan Co.* (中南置地濟南區域公司), a company which is principally engaged in property development, from May 2016 to April 2018, as a regional president. Mr. Dai completed a three-year vocational course from Nanjing Tech University (南京工業大學) in June 2002 majoring in Building Equipment Installation and Management. Mr. Dai further obtained a Bachelor's degree in Civil Engineering in January 2012 from Southeast University (東南大學). He is enrolled EMBA outreach program at Nanjing University since October 2018. He held the Engineer qualification issued by the Human Resource and Social Security Bureau of Changzhou (常州市人力資源和社會保障局) since September 2011.

Mr. Wang Guozhen (王國震), aged 41, is one of our vice-presidents and he is primarily responsible for overseeing our project design and management functions. He joined us in March 2013. Mr. Wang over 15 years' experience in structural engineering. From August 2001 to March 2011, Mr. Wang was a structural designer at the Wuxi Architectural Design and Research Institute* (無錫市建築設計研究院有限責任公司), an architectural design institute. From April 2011 to February 2013, Mr. Wang worked as the Structural manager at Jiangsu Changfa Property Group Co., Ltd.* (江蘇常發地產集團有限公司). Mr. Wang obtained a Bachelor's degree in Engineering (Building Engineering) from Southeast University (東南大學) in June 2001.

Mr. Zhu Hui (朱檉), aged 36, is one of our vice-presidents and he is primarily responsible for overseeing our sales and marketing function. He joined us in July 2019. Mr. Zhu has more than 10 years of experience in sales and marketing. He joined Jiangsu Zhongnan Construction Group Co., Ltd.* (江蘇中南建設集團股份有限公司) in May 2008 and left in April 2019 as vice-general manager at marketing department, which is a company principally engaged in real estate sector and the shares of which are listed at Shenzhen Stock Exchange (stock code: 000961). Before joining us, Mr. Zhu worked at Hongyang Group Nantong Real Estate Co., Ltd.* (弘陽集團南通房地產有限公司) as assistant general manager from March 2019 to July 2019. Mr. Zhu obtained a bachelor's degree in marketing from JiMei University (集美大學) in July 2005.

Mr. Lam Yu Tin Eugene (林雨田), aged 42, is our chief financial officer and company secretary and is mainly responsible for overseeing the corporate finance, financial reporting, compliance and company secretarial matters of us. He joined us in October 2018. Mr. Lam has over 18 years of experience in accounting and finance. From September 1999 to March 2003, he worked in the Assurance & Business Advisory Services Department of PricewaterhouseCoopers, an international accounting firm. From May 2003 to March 2008, he worked as senior financial positions, namely finance manager and financial controller in various Hong Kong listed companies including Techwayson Holdings Limited (now known as China Uptown Group Company Limited) (stock code: 2330), Pacific Century Premium Developments Limited (stock code: 432) and Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited) (stock code: 715). From April 2008 to August 2017, he worked in Hong Kong Exchanges and Clearing Limited where his last position is assistant vice-president in Compliance & Monitoring, Listing & Regulatory Affairs Division. Before joining us, he worked in Huarong Investment Stock Corporation Limited (stock code: 2277), a financial asset management company in the PRC, where his last position was the deputy director of Business Monitoring Department. Mr. Lam obtained a Bachelor's degree in business administration and a Master's degree in business administration, both from the Hong Kong University of Science and Technology in November 1999 and November 2005 respectively. He is a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow of the Association of Chartered Certified Accountants since November 2007.

COMPANY SECRETARY

Mr. Lam Yu Tin Eugene, aged 42, was appointed as our company secretary on September 17, 2019. For his biographical details, please refer to above “— senior management”.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee pursuant to a resolution of our Directors passed on June 20, 2020 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to our Board on appointment or reappointment and removal of external auditor; review our financial statements and make judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures and to monitor any continuing connected transactions. The Audit Committee consists of four members, namely Mr. Wan Ho Yin, Mr. Lui Wing Nam, Ms. Tang Lo Nar and Mr. Guo Shaomu. Mr. Wan Ho Yin is the chairman of the Audit Committee.

Remuneration Committee

We have established a Remuneration Committee on June 20, 2020 pursuant to a resolution in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of us and ensure that none of our Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of three members, namely Ms. Tang Lo Nar, Mr. Guo Shaomu and Mr. Wan Ho Yin. Mr. Guo Shaomu is the chairman of the Remuneration Committee.

Nomination Committee

We have established a Nomination Committee on June 20, 2020 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition and the board diversity policy adopted by us on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of four members, namely Mr. Lui Wing Wai, Mr. Guo Shaomu, Ms. Tang Lo Nar and Mr. Wan Ho Yin. Mr. Lui Wing Wai is the chairman of the Nomination Committee.

PRINCIPAL SHAREHOLDERS

As of June 30, 2020, the following persons or institutions have beneficial interests or short positions in any of our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who are directly and/or indirectly interested in 5% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of any of our other members:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Percentage of shareholding in us
Huaxing	Beneficial owner	504,000,000	30.91%
Mr. Lui Wing Wai ⁽¹⁾	Interest in controlled corporation	504,000,000	30.91%
Hualian	Beneficial owner	396,000,000	24.29%
Mr. Lui Wing Nam ⁽²⁾	Interest in controlled corporation	396,000,000	24.29%
Mr. Lui Chi Chung Jimmy ⁽²⁾	Interest in controlled corporation	396,000,000	24.29%
Hualong	Beneficial owner	300,000,000	18.40%
Mr. Lui Wing Mau ⁽³⁾	Interest in controlled corporation	300,000,000	18.40%
Mr. Lui Jin Ling ⁽³⁾	Interest in controlled corporation	300,000,000	18.40%

Notes:

1. These 504,000,000 Shares are held by Huaxing, a BVI business company incorporated in the BVI and owned as to 60% and 40% by Mr. Lui Wing Wai and Mr. Lui Man Wai respectively. Mr. Lui Wing Wai is deemed to be interested in all the Shares held by Huaxing for the purpose of SFO.
2. These 396,000,000 Shares are held by Hualian, a BVI business company incorporated in the BVI and owned as to 60% and 40% by Mr. Lui Wing Nam and Mr. Lui Chi Chung Jimmy respectively. Therefore, Mr. Lui Wing Nam and Mr. Lui Chi Chung Jimmy are each deemed to be interested in all the Shares held by Hualian for the purpose of SFO.
3. These 300,000,000 Shares are held by Hualong, a BVI business company incorporated in the BVI and owned as to 60% and 40% by Mr. Lui Jin Ling and Mr. Lui Wing Mau respectively. Therefore, Mr. Lui Jin Ling and Mr. Lui Wing Mau are each deemed to be interested in all the Shares held by Hualong for the purpose of SFO.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of June 30, 2020, our total outstanding borrowings amounted to RMB6,935.8 million (US\$981.7 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to Bank of China, China Minsheng Banking, Bank of Wenzhou and Bank of Jiaxing. These loans are typically project loans to finance the construction of our projects (the “project loans”) and have terms ranging from one year to six years, which generally correspond to the construction periods of the particular projects. As of June 30, 2020, the aggregate outstanding amount under these project loans totaled approximately RMB6,935.8 million (US\$981.7 million), of which RMB2,052.1 million (US\$290.5 million) was due within one year, RMB3,920.4 million (US\$554.9 million) was due between one and two years, RMB721.8 million (US\$102.2 million) was due between two and three years and RMB241.5 million (US\$34.2 million) was due over three years. Our project loans are typically secured by land use rights and properties as well as guaranteed by us and certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank’s benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2020, the weighted average interest rate on the aggregate outstanding amount of our project loans was 7.88% per annum.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders’ prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party

Events of Default

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

We are certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of June 30, 2020, RMB6,935.8 million (US\$981.7 million) of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including equity interests in certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the project loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- if the borrower's after-tax profit is nil or negative; or
- before the principal amount of and accrued interest on the relevant project loan have been fully paid.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Ganglong China Property Group Limited (港龍中國地產集團有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “**Indenture**”), to be dated on or about December 2, 2020, among the Company, the Subsidiary Guarantors and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee (the “**Trustee**”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

Brief Description of the Notes

The Notes:

- are general obligations of the Company;
- are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this offering memorandum;
- are effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on December 1, 2021, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 13.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrear on June 2, 2021

and December 1, 2021 (each an “**Interest Payment Date**”). Interest on the Notes will be paid to the Holders of record at the close of business on May 18, 2021 or November 16, 2021 (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register (as defined below) at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under the captions “— Optional Redemption” and “— Redemption for Taxation Reasons” below and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying and Transfer Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “**Additional Notes**”), subject to certain limitations described under the caption “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company, the Paying and Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying and Transfer Agent currently located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in a register of noteholders (the “**Register**”) maintained by the Registrar (as defined below) or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Ganglong Huayang Development Co., Ltd. (港龍華揚發展有限公司), Ganglong Development Group Limited (港龍發展集團有限公司) and Profit Great Investment Limited (盈裕投資有限公司) (collectively, the “**Initial Subsidiary Guarantors**”). These Initial Subsidiary Guarantors consist of all of the Company’s Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC on the Original Issue Date. The Initial Subsidiary Guarantors are holding companies that do not have significant operations. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC (the “**PRC Non-Guarantor Subsidiaries**”), any Exempted Subsidiary or any Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) (in the case of a Restricted Subsidiary) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) (in the case of any other entity) is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or the relevant Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from causing such JV Subsidiary Guarantee to be provided or (b) requiring the Company or such Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “**JV Subsidiary Guarantee**”) and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing confirming that, under New York law, each such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “**Other Non-Guarantor Subsidiaries**”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “**Future Subsidiary Guarantor**” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, Exempted Subsidiaries and Listed Subsidiaries, are referred to herein as the “**Non-Guarantor Subsidiaries**.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of June 30, 2020, the Company and its consolidated Subsidiaries had total debt of approximately RMB11,692.5 million (US\$1,655.0 million), of which approximately RMB6,935.8 million (US\$981.7 million) was secured debt.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total debt of approximately RMB8,512.0 million (US\$1,204.8 million), capital commitments of approximately RMB13,014.0 million (US\$1,842.0 million) and contingent liabilities of approximately RMB5,721.4 million (US\$809.8 million).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium (if any) on and interest on, and all other amounts payable under, the Notes and the Indenture; *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" of this offering memorandum.

Release of the Subsidiary Guarantees or JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the caption “— Defeasance — Defeasance and Discharge”;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries that is also a Subsidiary Guarantor, and upon such release such Subsidiary Guarantor and such Restricted Subsidiaries will become Other Non-Guarantor Subsidiaries (such that each Other Non-Guarantor Subsidiary will no longer Guarantee the Notes); *provided that*, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Other Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital

Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Company or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Certain Covenants — Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales” to the extent required.

As of the date of the Indenture, all of the Company's Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain Subsidiaries as “Unrestricted Subsidiaries.” The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “**Further Issue**”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* the issuance of any such Additional Notes shall then be permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” below.

Optional Redemption

At any time prior to December 1, 2021, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying and Transfer Agent is responsible for calculating or verifying the redemption price.

At any time and from time to time prior to December 1, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 113.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders (which notice shall be irrevocable) and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing systems through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any national securities exchange or held through any clearing system, on a *pro rata* basis, unless otherwise required by applicable law.

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

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control, the Company will make an Offer to Purchase all outstanding Notes (a “**Change of Control Offer**”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of “**Offer to Purchase**”).

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control" of this offering memorandum.

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred and shall not be liable to any person for any failure to do so. The Trustee or any Agent shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee and the Agents shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from such failure by it to do so.

No Mandatory Redemption or Sinking Fund

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

Additional Amounts

All payments of principal of, and premium (if any) on and interest on the Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under

the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a “**Relevant Jurisdiction**”), or any jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “**Taxing Jurisdiction**”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, on and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
- (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future Treasury

Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium on or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any Initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver or procure to deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("**Permitted Indebtedness**"):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any *Pari Passu* Guarantee;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with refinancings thereof); *provided that* such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g), (m) and (o) below);

- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided that* (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further that* any Preferred Stock issued by a Subsidiary Guarantor or JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
- (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “**refinance**,” and “**refinances**” and “**refinanced**” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness, the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Non-Guarantor Subsidiary, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into to reduce or manage the exposure of the Company or such Restricted Subsidiary, as applicable, to fluctuations in interest rates, currencies or the price of commodities;

- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that*, in the case of sub-clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided that* such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant described under the caption “— Limitation on Issuances of Guarantees by Restricted Subsidiaries”;

- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary held by such Trust Company Investor, *provided that*, on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clause (h) above and clauses (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to

provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and

(w) Indebtedness constituting a Subordinated Shareholder Loan.

(3) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in the first paragraph of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of such Indebtedness or Preferred Stock described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness or Preferred Stock due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

(1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in

shares of the Company's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of any Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, shall exceed the sum (without duplication) of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2020 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); *plus*
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; *plus*
 - (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”) but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); *plus*

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided, however, that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided, however, that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (7) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided, however, that* any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such independent third party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;
- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) or (C) declaration or payment of dividends or other distributions in cash on Capital Stock of any Restricted Subsidiary held by any current or former office, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme; *provided that* the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock under (A), (B) and (C) above shall not exceed US\$3.0 million (or the Dollar Equivalent thereof) in any fiscal year, with any unused amount (representing the difference between such limit and the actual consideration paid) in any such fiscal year being carried over to the subsequent fiscal year;
- (10) declaration or payment of dividends in kind or other distributions in kind on Capital Stock of any Restricted Subsidiary held by any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme in the ordinary course of business, which are solely used to acquire Capital Stock of any Restricted Subsidiary engaged in any property development projects;
- (11) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

- (12) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (13) the redemption, repurchase or other acquisition of, or the declaration and payment of dividends with respect to any fiscal year ending after December 31, 2020 on, the Common Stock of the Company by the Company, in an aggregate amount not to exceed 25% of profit and total comprehensive income for the year attributable to owners of the Company based on the consolidated financial statements of the Company in the immediate prior fiscal year;
- (14) the distributions or payments of Securitization Fees in connection with Receivable Financings; or
- (15) the declaration and payment of dividends by the Company in respect of its Capital Stock with respect to the fiscal year ending December 31, 2020 in an aggregate amount not to exceed 25% of profit and total comprehensive income for the year attributable to owners of the Company based on the consolidated financial statements of the Company of such fiscal year.

provided that, in the case of clauses (2), (3), (4), (8) and (13) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clauses (1) and (13) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (15) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof). Notwithstanding any other provision of this covenant, in the case of a declaration of dividend with respect to the Company's or any Restricted Subsidiary's Capital Stock which involves a scrip dividend option, such Restricted Payment shall be deemed to be made only when the cash component of such dividend is finally determinable by the Company or such Restricted Subsidiary.

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (15) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this covenant and paragraph (17) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, or under any *Pari Passu* Guarantee, or any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor guaranteed by any *Pari Passu* Guarantee and, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants described under the captions “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales”;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock permitted under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in shareholders’ agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary or, in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and/or the Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted

Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption “— Limitation on Restricted Payments” if made on the date of such sale or issuance and *provided that* the Company complies with the covenant described under the caption “— Limitation on Asset Sales”; or

- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the covenant described under the caption “— Limitation on Asset Sales.”

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“**Guaranteed Indebtedness**”) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (d) or (q) (in the case of clause (2)(q), with respect to the Guarantee provided any Restricted Subsidiary through the pledge of bank accounts, deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceed the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “**Affiliate Transaction**”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; or
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of the Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the covenant described under the caption “— Limitation on Restricted Payments,” (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and the Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, (B) between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (C) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided that* in the case of clause (iii) (a)

such transaction is entered into in the ordinary course of business, (b) in the case of a non-Wholly Owned Restricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary or Minority Joint Venture of the Company and (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

Limitation on Liens

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of the Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that*, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, if any, or any Indebtedness of a Non-Guarantor Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in a Permitted Business (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

provided that, Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated.

When accumulated Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by

- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however, that* the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering or other document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any credit support in compliance with clause (6) of this paragraph) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and the Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (if any) to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the Rating Agencies and no Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from any of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;

- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (7) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) Clauses (3), (4) and (5)(x) under the first and second paragraphs of the covenant described under “— Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that*, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the

Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio thereof, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

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

- (1) default in the payment of principal of (or premium (if any) on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under the caption "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control" or "— Certain Covenants — Limitation on Asset Sales";
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$10.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal or interest payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of the Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other

similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (8) The Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company); or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security and/or pre-funding to its satisfaction, declare the principal of, premium (if any) on and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium (if any) and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium (if any) on and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium (if any) on and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction,

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of,

premium (if any) and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its own funds in following such direction if it does not believe that reimbursement or indemnity and/or security and/or pre-funding to its satisfaction is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

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

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and that the Company and the Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Certain Covenants — Provision of Financial Statements and Reports."

The Trustee and the Agents are not obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders for any loss arising from any failure by it to do so. The Trustee and the Agents may assume that no such Event of Default or Default has occurred and that the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are performing their respective obligations under the Indenture and the Notes unless the Trustee and the Agents have received written notice of the occurrence of an Event of Default or Default. The Trustee and the Agents

are entitled to conclusively rely, without liability, on any Officers' Certificate regarding whether or not a Default or an Event of Default has occurred and is continuing.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this caption, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such

property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

provided that this paragraph shall not apply to any sale or other disposition that complies with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales” or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee unless such consideration is offered to be

paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Subsidiary Guarantees in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, (ii) Holders or beneficial owners of the Notes that are located or resident in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium (if any) on and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium (if any) on and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under the captions “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “— Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium (if any) on and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will remain liable for such payments.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) comply with the provisions described under the caption “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add or release any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement, in each case as permitted and in accordance with the Indenture;

- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Company with any provision thereof; *provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:*

- (1) change the Stated Maturity of the principal of, or any instalment of interest on, any Note;
- (2) reduce the principal amount of, or premium (if any) on or interest on, any Note;
- (3) change the currency of payment of principal of, or premium (if any) on or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium (if any) on or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such

amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under “Certain Covenants — Limitation on Asset Sales”;

- (11) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium (if any) on or interest on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium (if any) on or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) will be appointed as trustee under the Indenture, and also as registrar (the “**Registrar**”), and also as paying and transfer agent (the “**Paying and Transfer Agent**”, and together with the Registrar, the “**Agents**”) with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and the Notes, and no implied covenant or obligation shall be read into the Indenture and the agent appointment letter against the Trustee or the Agents. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee indemnity and/or security and/or pre-funding satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. Either the Trustee or any Agent is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit. The Trustee and the Agents may have an interest in or may be providing or

may in the future provide financial or other services to other parties; *provided, however, that* if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee and the Agents shall not be deemed to have knowledge of any Event of Default or Default unless it has received express written notice of such Event of Default or Default.

Under the Indenture, the Trustee is entitled to be indemnified and/or secured and/or pre-funded and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity in priority to the claims of the Holders.

Each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the “**Initial Global Note**”). On the Original Issue Date, the Initial Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “**Additional Global Notes**” and, together with the Initial Global Note, the “**Global Notes**”).

Global Notes

Ownership of beneficial interests in the Initial Global Note (the “**book-entry interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book- entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium (if any), interest and Additional Amounts) will be made to the Paying and Transfer Agent in U.S. dollars. The Paying and Transfer Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of

the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under the caption “— Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however, that* no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

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

Transfers

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

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under “Transfer Restrictions” of this offering memorandum.

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

Global Clearance and Settlement Under the Book-Entry System

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

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

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company

has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal office of the Company; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be, and no separate notices to the Holders are required under the above paragraph. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after December 1, 2021, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) 100% of the principal amount of such Note on December 1, 2021, plus (y) all required remaining scheduled interest payments due on such Note through December 1, 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “— Certain Covenants — Limitation on Restricted Payments”;

- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under the caption “— Consolidation, Merger and Sale of Assets”; and
- (7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) Guaranteed by a Guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and the Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to December 1, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to December 1, 2021.

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

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and the Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and the Restricted Subsidiaries (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and the Restricted Subsidiaries in conformity with GAAP; *provided that* (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and the Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and the Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest; *provided that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, for any period, the aggregate of the net income (or loss) of the Company and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as (i) a dividend or other distribution or (ii) as distribution in the form of intercompany loans or otherwise that is treated as dividend in advance prior to any recognition of income on the consolidated financial statements of such Person (to the extent that the amounts actually received in dividends in a future period are less than such loans or advances, with a deduction for the difference in such future period); provided that, in the case of such distribution in the form of intercompany loans or otherwise, such amount shall not be again included in the Consolidated Net Income in the same period or another period when it is later recognized as income (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this

Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for *Indebtedness*, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (*provided that* such increase is permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the

Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control.”

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided that* such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

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

“Euroclear” means Euroclear Bank SA/NV.

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

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided that* (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of

total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “**Four Quarter Period**”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that, to the extent that clause (d) or (e) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“Franchise Company” means any Minority Joint Venture engaged in property development, of which the Company or a Restricted Subsidiary, through contractual agreements, directly or indirectly, controls or

manages operations, including controlling the property planning, development, sales or management of such Minority Joint Ventures; *provided, however*, that the occurrence of any event as a result of which such corporation, association or other business entity ceases to be a Franchise Company, the Company shall be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event, which shall be made in compliance with the covenant under the caption “— Limitation on Restricted Payments” other than pursuant to clause (17) of the definition of Permitted Investment.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (2) Entrusted Loans; *provided that* such Indebtedness is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A,” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A,” or “Baa,” as modified by a “1,” “2,” or “3,” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or the Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “- The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary, any class of Voting Stock of which is listed on a Qualified Exchange, and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company sending a notice to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying and Transfer Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying and Transfer Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying and Transfer Agent money sufficient to pay the purchase price of all Notes or portions thereof tendered pursuant to an Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company.

The Paying and Transfer Agent shall as soon as reasonably practicable make payment by wire transfer to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; *provided, however, that*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“*Pari Passu* Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided that* (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date, which, for the avoidance of doubt, shall include, among others, the real estate development business and financial investment in real estate industry.

“Permitted Holders” means any or all of the following:

- (1) Mr. Lui Wing Wai, Mr. Lui Wing Mau, Mr. Lui Jin Ling, Mr. Lui Wing Nam and Mr. Lui Chi Chung Jimmy;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in clause (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more other Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;

- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Certain Covenants — Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “— Certain Covenants — Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any Restricted Subsidiary (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) made in the ordinary course of business by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary); *provided that:*
 - (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 15% of Total Assets.

Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
- (C) to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
- (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person, or
- (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this definition),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17);

- (ii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary, Minority Joint Venture or Unrestricted Subsidiary of the Company);
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment; and
- (iv) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or any of its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; provided that shall not apply if such Investment would otherwise have been permitted under this clause (17) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issue Date, shall not exceed in aggregate an amount equal to 5% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issue Date resulting from the events set forth in paragraphs (i)(A) through (i)(E) above, where references in such paragraphs to “under this clause (17)” or “under this clause (1)” shall be substituted with “in reliance on the proviso in this paragraph (iv)”).

For the avoidance of doubt, the value of each Investment made pursuant to this clause (17) shall be valued at the time such Investment is made;

- (18) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;
- (19) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (20) repurchases of the Notes;
- (21) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (22) Investment that has been agreed to or is otherwise obligated to be made in a Minority Joint Venture pursuant to an agreement existing on Original Issue Date which is entered into with other shareholders or partners in such Minority Joint Venture; and
- (23) Any Investment in a Franchise Company (including, among others, any deemed Investment in a Person that was a Restricted Subsidiary but becomes a Franchise Company after the issuance or sale of Capital Stock of such Person); *provided that*:
 - (i) if any of the other shareholders or partners in such Franchise Company in which such Investment was made pursuant to this clause (23) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the "— Limitation on Transactions with Shareholders and Affiliates" covenant;
 - (ii) no Default has occurred and is continuing or would occur as a result of such Investment;
 - (iii) at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock", except that solely for purpose of this clause (iii) references to "2.25 to 1.0" thereunder shall be replaced with "1.0 to 1.0"; and
 - (iv) the aggregate of all Investments made under this clause (23) since the Original Issue Date shall not exceed in aggregate an amount equal to 15% of Total Assets.

Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (23) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (23), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Franchise Company,
- (C) to the extent that an Investment made after the Original Issue Date under this clause (23) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or
- (D) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this definition),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Franchise Company pursuant to this clause (23).

For the avoidance of doubt, the value of each Investment made pursuant to this clause (23) shall be valued at the time such Investment is made.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or the Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further that* such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;

- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided that*, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens granted by the Company or a Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure, the Indebtedness permitted under paragraph (2)(p) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (21) Liens securing Indebtedness permitted under clauses (2)(n) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness;
- (24) Liens securing Indebtedness permitted under clauses (2)(r), (s), (t), (u) or (v) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens incurred or deposits made to secure Entrusted Loans; and
- (26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under the caption “— Certain Covenants-Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(d), (f), (g), (m) and (o) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September

3, 2016 and effective on October 1, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on March 1, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations), as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Rating Agencies” means (1) S&P, (2) Moody's and (3) Fitch, provided that if S&P, Moody's, Fitch or some or all of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch or some or all of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (2) with respect to Moody's, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody's; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

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

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

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Restricted Subsidiary, or any group of Restricted Subsidiaries, when taken together and consolidated with its or their Restricted Subsidiaries, that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest or premium (if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however, that* with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any Initial Subsidiary Guarantor and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A”(or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1”(or higher) according to Moody’s or “A-1”(or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits with any bank, trust company or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and the Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(t) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a bank, financial institution, insurance company, trust company, fund management company, asset management company organized under the laws of the PRC, Hong Kong Special Administrative Region, Macau Special Administrative Region or overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

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

CAYMAN ISLANDS

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

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to any capital gains, income or corporation tax in the Cayman Islands. The Cayman Islands currently have no exchange control restrictions and are not party to any double taxation treaties. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("CI\$")) unless stamp duty of CI\$500 has been paid in respect of the entire issue of Notes.

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from October 15, 2018.

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. A Cayman Islands company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it would be required to satisfy an economic substance test.

BRITISH VIRGIN ISLANDS

The BVI enacted the Economic Substance (Companies and Limited Partnerships) Act, 2018 (the “ES Act”), which became effective on January 1, 2019, and the Rules on Economic Substance in the Virgin Islands, containing rules and guidance relating to the interpretation of the ES Act and how the International Tax Authority (the “ITA”) will carry out its obligations, were released on October 9, 2019, and were further updated on February 10, 2020. Each Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in the BVI is required to report to the ITA on a periodic basis to enable the ITA to monitor compliance with the economic substance requirements, if it is carrying on one or more relevant activities. If this is the case, it may be required to adopt adequate economic substance in the BVI.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) and interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

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

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

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

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue, redemption or transfer of the Notes as the Notes are not denominated in H.K. dollars and not redeemable in H.K. dollars.

PRC

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

Taxation on Interest and Capital Gains. Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, or 20% for “non-resident individuals” investors (or lower treaty rate, if any), if we are deemed to be a PRC “resident enterprise” and the interest is deemed as PRC-source income. Any gain realized on the transfer of the Notes by such “non-resident enterprises” investors would be subject to a 10%, or 20% for “non-resident individuals” investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC “resident enterprise”. There is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. See “Risk Factors — Risks Relating to the Notes — Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.” If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

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

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated November 25, 2020 (the “Purchase Agreement”) between the Company, Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited, Seazen Resources Securities Limited, China Vered Securities Limited, Glory Sun Securities Limited, HeungKong Securities Limited and Huajin Securities (International) Limited (the “Initial Purchasers”), each Initial Purchasers has agreed to purchase from us, and we have agreed to sell to such Initial Purchasers, the following principal amount of the Notes set forth opposite such Initial Purchaser’s name below:

	Principal amount of the Notes
	US\$
Guotai Junan Securities (Hong Kong) Limited	50,000,000
CMB International Capital Limited	30,000,000
Seazen Resources Securities Limited	20,000,000
China Vered Securities Limited	12,500,000
Glory Sun Securities Limited	12,500,000
HeungKong Securities Limited	12,500,000
Huajin Securities (International) Limited	12,500,000
Total	150,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Purchase Agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes.

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

We and the Subsidiary Guarantors have agreed to jointly and severally indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof. We and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with this offering. In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

The Notes have not been registered under the Securities Act or any state securities laws of the United States. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws. The Initial Purchasers will not offer or sell the Notes except to persons outside of the United States in offshore transactions that occur outside of the United States within the meaning of Regulation S. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction.

The Notes are a new issue of securities with no established trading market. Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing. We have been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at

any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

We expect that delivery of the Notes will be made to investors on or about December 2, 2020, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as “T+4”). As trades in certain secondary markets generally settle in two business days, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

We have agreed that, other than any additional Notes issued in accordance with the terms of the Indenture and consolidated and forming a single series with the Notes, we will not issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, conditionally or unconditionally, directly or indirectly, or make any announcement relating thereto, any other debt securities or debt securities guaranteed by us, or securities of us that are convertible into, or exchangeable for, the Notes or such other debt securities, in any such case without the prior written consent of the Initial Purchasers between the date of this offering memorandum and the date which is 10 days after the settlement date (both dates inclusive).

The Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SELLING RESTRICTIONS

General

The distribution of this offering memorandum or any offering material and the offering, sale or delivery of the Notes are subject to restrictions and may not be made except pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this offering memorandum or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This offering memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken in any jurisdiction by the Company or Joint Lead Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this offering memorandum, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or

publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by the Company and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this offering memorandum or any other offering material relating to the Notes, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a license broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Company in such jurisdiction.

European Economic Area and United Kingdom

Each Joint Lead Manager has represented, undertaken and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this offering memorandum in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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

United States

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

The PRC

Each Joint Lead Manager has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws and other applicable laws and regulations of the People’s Republic of China.

Neither this offering memorandum nor any advertisement or other offering materials may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Singapore

Each Joint Lead Manager has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes.

British Virgin Islands

No invitation whether directly or indirectly may be made to the public in the British Virgin Islands to subscribe for the Notes.

TRANSFER RESTRICTIONS

By purchasing the Notes, you will be deemed to have represented, agreed and acknowledged that:

1. You are, or at the time the Notes are purchased will be, the beneficial owner of such Notes and (a) you are located outside the United States (within the meaning of Regulation S) and (b) you are not an affiliate of ours or a person acting on behalf of such an affiliate.
2. You understand that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act and that you will not offer, sell, pledge or otherwise transfer such securities except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or pursuant to another exemption from registration, or a transaction not requiring registration, under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.
3. We, the Initial Purchasers and their affiliates, the Trustee, the Paying and Transfer Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law and Harney Westwood & Riegels as to matters of Cayman Islands law and BVI law and Jingtian & Gongcheng as to matters of PRC Law. Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to matters of United States federal and New York law and Commerce & Finance Law Office as to matters of PRC law.

INDEPENDENT AUDITOR

The accountant's report on the historical financial information as of and for the years ended December 31, 2017, 2018 and 2019 included in this offering memorandum have been issued and audited by PricewaterhouseCoopers, certified public accountants, as stated in their reports appearing herein. Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 have been reviewed by PricewaterhouseCoopers, independent certified public accountants, as stated in their report appearing herein. Our unaudited interim condensed consolidated financial information for the six months ended June 30, 2019 are included as comparative information within the unaudited interim condensed financial information for the six months ended June 30, 2020.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated November 24, 2020.

LITIGATION

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

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2020 that is material in the context of the issue of the Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the Indenture may be inspected during normal business hours (being 9:00 a.m. to 3:00 p.m.) Monday to Friday (except public holidays) at the specified offices of the Trustee.

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Financial Information" in this offering memorandum, may be obtained during normal business hours (being 9:00 a.m. to 3:00 p.m.) Monday to Friday (except public holidays) at the specified offices of the Trustee.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	XS2256723938
Common Code	225672393

LISTING OF THE NOTES

Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Notes, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the global certificate is exchanged for definitive certificates. In addition, in the event that the global certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

INDEX TO FINANCIAL INFORMATION

Unaudited Interim Condensed Financial Information as of and for the six months ended June 30, 2020

	F-pages	Interim Report ⁽¹⁾
Report on Review of Interim Condensed Financial Information	F-2	24
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Interim Condensed Consolidated Statement of Financial Position	F-5	27
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Audited Financial Information as of and for the years ended December 31, 2017, 2018 and 2019

	F-pages	Accountants' Report ⁽²⁾
Accountants' Report	F-35	I-1
Consolidated Statements of Comprehensive Income	F-37	I-3
Consolidated Statements of Financial Position	F-38	I-4
Statements of Financial Position of the Company	F-39	I-5
Consolidated Statements of Changes in Equity	F-40	I-6
Consolidated Statements of Cash Flows	F-42	I-8
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Notes:

- (1) Our unaudited interim condensed financial information as of and for the six months ended June 30, 2020 is a reproduction from our interim report for the six months ended June 30, 2020 and page references to pages set forth in such interim report.
- (2) The attached accountants' report on our consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 is a reproduction of Appendix I to the prospectus for our initial public offering dated June 29, 2020 and page references to pages set forth in such prospectus.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Ganglong China Property Group Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 56, which comprises the interim condensed consolidated statement of financial position of Ganglong China Property Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

OTHER MATTER

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2019. The comparative information for the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows and related explanatory notes, for the six-month period ended 30 June 2019 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2020

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers	6	1,713,089	590,520
Cost of sales	7	(1,056,671)	(336,929)
Gross profit		656,418	253,591
Other income		11,107	32,593
Selling and marketing expenses	7	(160,838)	(51,128)
General and administrative expenses	7	(177,866)	(71,248)
Fair value gains on investment properties		–	9,700
Operating profit		328,821	173,508
Finance income	8	8,856	4,357
Finance costs	8	(44,043)	(19,866)
Finance costs – net	8	(35,187)	(15,509)
Share of results of joint ventures and associates	14	211,744	(5,100)
Profit before income tax		505,378	152,899
Income tax expenses	9	(184,318)	(83,240)
Profit and total comprehensive income for the period		321,060	69,659
Attributable to:			
Owners of the Company		472,309	94,057
Non-controlling interests		(151,249)	(24,398)
		321,060	69,659
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	11	0.39	0.08

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	36,372	36,004
Investment properties	13	170,800	170,800
Investments accounted for using the equity method	14	1,315,176	1,103,432
Deferred income tax assets		236,358	151,192
Total non-current assets		1,758,706	1,461,428
Current assets			
Properties under development	15	20,519,941	16,052,548
Completed properties held for sale	15	412,663	732,904
Trade and other receivables and prepayments	16	1,851,791	1,252,942
Amounts due from associates	24	128,389	124,709
Amounts due from joint ventures	24	292,735	350,268
Amounts due from non-controlling interests	21	685,812	198,443
Tax recoverable		135,061	206,629
Restricted cash		2,428,302	1,414,744
Pledged time deposits		101,273	45,920
Cash and cash equivalents	17	2,870,456	1,052,217
Total current assets		29,426,423	21,431,324
Total assets		31,185,129	22,892,752
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	18	—	—
Reserves	18	1,715,840	1,243,531
Total equity		1,715,840	1,243,531
Non-controlling interests		519,380	409,823
Total equity		2,235,220	1,653,354

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	19	4,883,705	1,709,099
Lease liabilities		2,229	3,782
Deferred income tax liabilities		136,497	94,699
Total non-current liabilities		5,022,431	1,807,580
Current liabilities			
Trade payables, bills payables and other payables	20	3,098,244	2,463,085
Lease liabilities		8,740	8,188
Contract liabilities	6	13,992,561	8,416,172
Amounts due to associates	24	1,387,598	1,497,735
Amounts due to joint ventures	24	894,836	869,944
Amounts due to a Controlling Shareholder	24	–	23,539
Amounts due to non-controlling interests	21	2,338,321	4,682,599
Tax payable		155,038	326,356
Borrowings	19	2,052,140	1,144,200
Total current liabilities		23,927,478	19,431,818
Total liabilities		28,949,909	21,239,398
Total equity and liabilities		31,185,129	22,892,752

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The interim condensed consolidated financial information on pages 26 to 56 were approved by the Board of Directors of the Company on 28 August 2020 and were signed on its behalf.

Mr. Lui Wing Wai
Director

Mr. Lui Jin Ling
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Statutory reserve RMB'000 (Note 18)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000			
Six months ended 30 June 2020 (unaudited)							
Balance at 1 January 2020	-	136,121	315,515	791,895	1,243,531	409,823	1,653,354
Profit and total comprehensive income for the period	-	-	-	472,309	472,309	(151,249)	321,060
Transactions with owners:							
Capital injection from non-controlling interests	-	-	-	-	-	260,806	260,806
Appropriation to statutory reserve	-	43,393	-	(43,393)	-	-	-
	-	43,393	-	(43,393)	-	260,806	260,806
Balance at 30 June 2020	-	179,514	315,515	1,220,811	1,715,840	519,380	2,235,220
Six months ended 30 June 2019 (unaudited)							
Balance at 1 January 2019	-	66,147	315,515	193,828	575,490	125,683	701,173
Profit and total comprehensive income for the period	-	-	-	94,057	94,057	(24,398)	69,659
Transactions with owners:							
Capital injection from non-controlling interests	-	-	-	-	-	162,729	162,729
Appropriation to statutory reserve	-	18,298	-	(18,298)	-	-	-
	-	18,298	-	(18,298)	-	162,729	162,729
Balance at 30 June 2019	-	84,445	315,515	269,587	669,547	264,014	933,561

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	928,650	(2,364,918)
Income tax paid	(327,436)	(124,024)
Net cash generated from/(used in) operating activities	601,214	(2,488,942)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(7,496)	(4,687)
Proceeds from disposals of property, plant and equipment	50	670
Repayment of advances to Controlling Shareholders	–	5,500
Advances to associates	–	(208,754)
Repayment of advances to associates	–	107,621
Advances to joint ventures	(340,855)	(12,688)
Repayment of advances to joint ventures	398,388	404,511
Advances to non-controlling interests	(603,855)	(152,000)
Repayment of advances to non-controlling interests	167,007	73,500
Advances to third parties	–	(15,400)
Repayment of advances to third parties	–	174,444
Interest received	8,856	4,357
Net cash (used in)/generated from investing activities	(377,905)	377,074

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from financing activities		
Advances from associates	71,353	105,631
Repayment of advances from associates	(180,989)	(40,093)
Advances from joint ventures	99,029	377,709
Repayment of advances from joint ventures	(74,137)	(178,122)
Advances from Controlling Shareholders	–	338,030
Repayment of advances from Controlling Shareholders	(23,539)	(337,200)
Advances from related parties	–	38,417
Repayment of advances from related parties	–	(4,510)
Advances from non-controlling interest	2,705,710	2,112,555
Repayment of advances from non-controlling interest	(5,222,158)	(1,141,091)
Proceeds from borrowings	5,402,695	873,549
Repayment of borrowings	(1,320,149)	(293,350)
Repayment of principal portion of lease liabilities	(2,703)	(2,800)
Repayment of interest portion of lease liabilities	(426)	(387)
Payments for listing expenses	(1,527)	(923)
Capital injection from non-controlling interests	260,806	162,729
Interest paid	(119,035)	(30,101)
Net cash generated from financing activities	1,594,930	1,980,043
Net increase/(decrease) in cash and cash equivalents	1,818,239	(131,825)
Cash and cash equivalents at the beginning of the period	1,052,217	622,753
Cash and cash equivalents at the end of the period	2,870,456	490,928

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 October 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development of real estate projects in the People's Republic of China (the "**PRC**").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2020.

This interim condensed consolidated financial information is presented in Renminbi ("**RMB**"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Board on 28 August 2020.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Accountant's Report set out in Appendix I to the prospectus of the Company dated 29 June 2020 (the "Prospectus") and any public announcements made by the Company during the interim period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the Accountant's Report set out in Appendix I to the Prospectus except for the estimation of income tax and the adoption of new and amended standards as set out below. Amendments to HKFRSs effective for the financial year beginning on 1 January 2020 are not expected to have a material impact on the Group.

(a) New and amendments to standards adopted by the Group

During the period ended 30 June 2020, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1 January 2020;

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge Accounting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above HKFRSs did not have any significant financial impact to the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3. ACCOUNTING POLICIES (CONTINUED)

- (b) New standard and amendments to existing standards issued but not yet effective for the financial year beginning on or after 1 January 2020 and have not been early adopted by the Group;

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS Standards 2018 to 2020	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has performed assessment of these new and amended standards. None of these is expected to have a significant effect on the Group's result of operations and financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the critical accounting estimates and judgements applied were consistent with those described in the Accountant's Report set out in Appendix I to the Prospectus.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Groups activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Groups overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report set out in Appendix I to the Prospectus.

There have been no changes in the risk management policies since 31 December 2019.

5.1.1 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (Continued)

5.1.1 Liquidity risk (Continued)

The table below sets out the Group's financial liabilities by relevant maturity grouping at each statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand RMB'000	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2020 (Unaudited)						
Borrowings (including interest payables)	-	2,392,563	4,342,797	1,001,770	-	7,737,130
Trade payables, bills payables and other payables, excluding payroll payable and other taxes payable	-	3,012,241	-	-	-	3,012,241
Amounts due to associates	1,387,598	-	-	-	-	1,387,598
Amounts due to joint ventures	894,836	-	-	-	-	894,836
Amounts due to non-controlling interests	2,338,321	-	-	-	-	2,338,321
Lease liabilities (including interest payables)	-	9,254	2,299	-	-	11,553
	4,620,755	5,414,058	4,345,096	1,001,770	-	15,381,679

	On demand RMB'000	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019 (Audited)						
Borrowings (including interest payables)	-	1,314,410	1,847,044	210,662	-	3,372,116
Trade payables, bills payables and other payables, excluding payroll payable and other taxes payable	-	2,322,102	-	-	-	2,322,102
Amounts due to associates	1,497,735	-	-	-	-	1,497,735
Amounts due to joint ventures	869,944	-	-	-	-	869,944
Amount due to Controlling Shareholders	23,539	-	-	-	-	23,539
Amounts due to non-controlling interests	4,682,599	-	-	-	-	4,682,599
Lease liabilities (including interest payables)	-	8,916	3,903	-	-	12,819
	7,073,817	3,645,428	1,850,947	210,662	-	12,780,854

The Group also provides guarantees to secure repayment obligation of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guarantee purchasers, joint ventures and associates default the repayment (Note 22).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants (Note 19) for maintaining the Group's banking facilities and borrowings, the Group is not subject to any externally imposed capital requirements. The management monitors capital on the basis of the gearing ratio of the Group. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, amounts due to third parties, amounts due to associates and joint ventures, amounts due to non-controlling interests and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Interim condensed consolidated statement of financial position plus net debt.

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)
Borrowings (Note 19)	6,935,845	2,853,299
Amounts due to third parties (Note 20)	124,963	139,812
Amounts due to associates (Note 24)	1,387,598	1,497,735
Amounts due to joint ventures (Note 24)	894,836	869,944
Amounts due to non-controlling interests (Note 21)	2,338,321	4,682,599
Lease liabilities	10,969	11,970
Total borrowings	11,692,532	10,055,359
Less: Cash and cash equivalents (Note 17)	(2,870,456)	(1,052,217)
Net borrowings	8,822,076	9,003,142
Total equity	2,235,220	1,653,354
Total capital	11,057,296	10,656,496
Gearing ratio	79.8%	84.5%

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

Investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the interim condensed consolidated financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its 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.

All resulting fair value estimates for investment properties are included in level 3.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(iii) Valuation processes of the Group

The Group's investment properties were valued by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department has a team to review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once in each reporting periods.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period/year valuation report; and
- Holds discussions with the independent valuer.

6. REVENUE AND SEGMENT INFORMATION

The Executive Directors has been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors assess the performance of the operating segment based on a measure of profit before income tax and regard these to be only one operating segment – property development. Accordingly, segment disclosures are not presented. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in China, which is considered as one geographical location in an economic environment with similar risk and returns.

For the six months ended 30 June 2020 and 2019, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

The revenue from external parties is derived from numerous external customers and the revenue reported to the Executive Directors is measured in a manner consistent with that in the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of properties	1,713,089	590,520

The revenue from contracts with customers recognised during six months ended 30 June 2020 and 2019 are sales of properties in the PRC, all of which recognised at a point in time.

(a) Details of contract liabilities

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities related to sales of properties (<i>Note</i>)	13,992,561	8,416,172

Note: As of 30 June 2020 and 31 December 2019, contract liabilities represent advanced payments received from customers for properties that have not yet been transferred to the customers. Increased in contract liabilities during the period ended 30 June 2020 represents increase in advanced payments received from customers.

(b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the periods related to carried-forward contract liabilities.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the periods		
Sales of properties	1,699,871	572,729

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold –including construction cost, land cost and capitalised interest expenses	1,037,495	333,825
Business taxes and other taxes surcharges	19,176	3,104
Employee benefit expenses (including directors' emoluments)	131,945	55,600
Management and consulting service fee <i>(Note (a))</i>	51,515	–
Donation	1,494	2,280
Advertising and promotion expenses	54,186	22,732
Property management fees	19,023	6,197
Office expenses	9,280	2,033
Depreciation on property, plant and equipment and right-of-use assets	8,815	5,347
Entertainment expenses	12,903	6,606
Recruitment fee	2,265	1,034
Motel vehicle expenses	606	733
Guarantee fee	959	10,176
Auditors' remuneration	1,032	457
Legal and professional service fees	4,218	2,741
Listing expenses	11,533	2,241
Travelling and transportation expenses	3,797	2,516
Sales commission to property agents	18,191	404
Others	6,942	1,279
Total cost of sales, selling and marketing expenses and general and administrative expenses	1,395,375	459,305

Note:

- (a) The amounts represents the fees paid to certain non-controlling interest shareholders and third parties in relation to the management and consulting services provided by them for the property development projects.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

8. FINANCE COSTS – NET

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Finance income		
Interest income from		
– Bank deposits	8,856	4,357
Finance costs		
Interest expenses for		
– Lease liabilities	(426)	(387)
– Bank and other borrowings	(114,406)	(46,662)
– Amounts due to non controlling interests	(97,600)	(60,727)
	(212,432)	(107,776)
Add: capitalised interest	168,389	87,910
	(44,043)	(19,866)
Finance costs, net	(35,187)	(15,509)

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax:		
– PRC corporate income tax	159,376	54,256
– PRC land appreciation tax	68,310	37,484
	227,686	91,740
Deferred income tax	(43,368)	(8,500)
	184,318	83,240

9. INCOME TAX EXPENSES (CONTINUED)

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law").

PRC land appreciation tax ("LAT")

Pursuant to the requirements in relation to LAT in the PRC, all income from the sale or transfer of state-owned land use rights, building and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2017, dividends distributed from the profits generated the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong.

10. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11. EARNINGS PER SHARE

(a) Basic

In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019, the ordinary shares issued upon the incorporation of the Company, the ordinary shares issued in exchange for the Listing Business in the reorganisation as detailed in Note 1.2 to the Accountant's Report set out in Appendix I to the Prospectus and the capitalisation issue (Note 18), were deemed to be issued on 1 January 2019 as if the Company has been incorporated by then.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company during the periods (<i>RMB'000</i>)	472,309	94,057
Weighted average number of ordinary shares in issue (<i>in thousand</i>)	1,200,000	1,200,000
Basic earnings per share (<i>RMB</i>)	0.39	0.08

(b) Diluted

The Company did not have any potential dilutive shares outstanding during the six months ended 30 June 2020 and 2019. Accordingly, diluted earnings per share is the same as the basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Computer and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2020 (Unaudited)					
Opening net book amount	17,082	5,850	8,507	4,565	36,004
Additions	3,723	1,728	5,028	740	11,219
Disposals	(2,016)	–	(15)	(5)	(2,036)
Depreciation	(4,223)	(1,545)	(1,882)	(1,165)	(8,815)
Closing net book amount	14,566	6,033	11,638	4,135	36,372
Six months ended 30 June 2019 (Unaudited)					
Opening net book amount	13,291	289	3,756	4,019	21,355
Additions	5,704	–	3,528	1,159	10,391
Disposals	–	–	(451)	(219)	(670)
Depreciation	(3,182)	(54)	(1,274)	(837)	(5,347)
Closing net book amount	15,813	235	5,559	4,122	25,729

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Opening net book amount	170,800	155,200
Fair value changes	–	9,700
Closing net book amount	170,800	164,900

Certain investment properties with total carrying amount of RMB124,574,000 and RMB170,800,000 as of 30 June 2020 and 31 December 2019, respectively, were pledged as collateral for the Group's borrowings (Note 19).

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

- (a) The amounts recognised in the interim condensed consolidated statement of financial position as “Investments accounted for using the equity method” are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Joint ventures	735,556	520,299
Associates	579,620	583,133
	1,315,176	1,103,432

- (b) The amounts recognised in the interim condensed consolidated statement of comprehensive income “Share of results of joint ventures and associates” are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Joint ventures	215,257	(9,695)
Associates	(3,513)	4,595
	211,744	(5,100)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Properties under development	20,519,941	16,052,548
Completed properties held for sale	412,663	732,904
	20,932,604	16,785,452
Properties under development comprise:		
– Land use rights	14,938,478	12,453,111
– Construction costs	4,977,842	3,250,557
– Interests capitalised	603,621	348,880
	20,519,941	16,052,548

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

The capitalisation rate of borrowings is 7.9% for the six months ended 30 June 2020 (six months ended 30 June 2019: 8.5%)

As of 30 June 2020 and 31 December 2019, the Group's pledged properties held for sale and properties under development are set out as follows:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Carrying amounts of completed properties held for sale and properties under development:		
– Pledged as collateral for Group's borrowings	9,767,623	6,121,919

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables from third parties (Note (a))	5,254	25,970
Other receivables		
– Amount due from the other partner of a joint venture (Note (b))	309,350	–
– Deposits for acquisitions of land use rights (Note (c))	101,278	–
– Deposits for property development projects	378,042	303,990
– Receivables from banks and bank card services providers	132,150	41,341
– Cash advances to third parties	–	9,500
– Others	22,976	21,583
	943,796	376,414
Prepayments		
– Prepayments for property development projects	295,736	60,139
– Prepayments for acquisition of land use rights (Note (c))	274,000	571,824
– Prepaid value added tax, business taxes and other taxes	299,002	186,992
– Contract acquisition costs	12,891	16,606
– Prepaid listing expenses	12,524	6,695
– Others	8,588	8,302
	902,741	850,558
Trade and other receivables and prepayments	1,851,791	1,252,942

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes:

(a) Trade receivables

Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. These are generally no credit period granted to the property purchasers.

The aging analysis of trade receivables at the interim condensed consolidated statement of financial position dates based on invoice date is as follows:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
0-30 days	3,690	22,793
31-60 days	–	3
61-90 days	–	866
Over 91 days	1,564	2,308
	5,254	25,970

As of 30 June 2020 and 31 December 2019, trade receivables of RMB5,254,000 and RMB25,970,000 were overdue but not impaired and fully relate to certain customers that have good settlement record with the Group.

For these past due trade receivables, the Group has assessed the expected credit losses by considering historical loss experiences, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

- (b) The balance represents the initial development prepayment attributable to the Group made to the other partner of joint venture in respect of land. Pursuant to the co-operative agreement, the balance will be recognised as the Group's investment contribution to joint venture following the completion of land acquisition.
- (c) Prepayments for acquisition of land use rights will be reclassified to properties under development when the land certificates were obtained. The deposits are refundable in case the right to acquire the land use right cannot be obtained.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

17. CASH AND CASH EQUIVALENTS

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Denominated in:		
– RMB	2,863,413	1,052,014
– Hong Kong Dollar (“HK\$”)	7,042	174
– United States Dollar (“USD”)	1	29
	2,870,456	1,052,217

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

18. SHARE CAPITAL AND RESERVES

Share capital

	Number of shares	Share capital <i>HK\$</i>
Authorised:		
At 31 December 2019	38,000,000	380,000
Changes	9,962,000,000	99,620,000
At 30 June 2020	10,000,000,000	100,000,000
	Number of shares	Share capital <i>RMB</i>
Issued:		
At 31 December 2019 and 30 June 2020	1,000	9

The Company was incorporated on 8 October 2018 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each.

Pursuant to the written resolutions of the Shareholders dated 20 June 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of par value of HK\$0.01 each by the creation of an additional 9,962,000,000 shares of par value of HK\$0.01 each.

18. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital (Continued)

(i) Capitalisation issue

On 15 July 2020, the capitalisation issue pursuant to the Shareholders' resolution dated 20 June 2020 was effected. The Company issued 1,199,999,000 shares at par value of HK\$0.01 each to holders of shares on the register of members of the Company on 15 July 2020, by way of capitalisation of an amount of HK\$11,999,990 to the credit of the share premium account of the Company.

(ii) Global offering

On 15 July 2020, the Company issued a total of 400,000,000 ordinary shares at a price of HK\$3.93 per share as a result of the completion of the global offering.

30,618,000 shares were issued upon the partially exercise of the over-allotment option on 5 August 2020 at a price of HK\$3.93 per share.

Number of total issued shares of the Company was increased to 1,630,618,000 shares upon completion of the capitalisation issue, the global offering and the exercise of over-allotment option.

Statutory reserve

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiary is required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiary, the subsidiary will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

Other reserves

Other reserves mainly represented the reserves derived from acquisition of non-controlling interests, the share premium and the accumulated capital contribution from the then equity holders of the group companies in excess of the consideration given in relation to the reorganization.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19. BORROWINGS

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Non-current:		
Bank borrowings – secured and guaranteed	3,608,005	1,076,099
Other borrowings – secured	1,275,700	633,000
	4,883,705	1,709,099
Current:		
Bank borrowings – secured and guaranteed	1,722,140	764,200
Other borrowings – secured	330,000	380,000
	2,052,140	1,144,200
Total borrowings	6,935,845	2,853,299

As at 30 June 2020, all of the Group's borrowings were denominated in RMB (31 December 2019: same).

All bank and other borrowings of the Group as of 30 June 2020 and 31 December 2019 were secured by certain pledged time deposit, equity interests of group companies, properties under development, completed properties held for sales and investment properties with total carrying values of RMB10,439,919,000 and RMB6,554,801,000 respectively.

In addition to pledge of assets, certain bank and other borrowings amounted to RMB2,095,149,000 as of 31 December 2019 required guaranteed by subsidiaries of the Group, Mr. Lui Jin Ling, Mr. Lui Wing Wai and their spouses (Note 24). All of bank and other borrowings guaranteed by Mr. Lui Jin Ling, Mr. Lui Wing Wai and their spouses were repaid and the guarantees by them were released in June 2020. As of 30 June 2020, certain bank and other borrowings amounted to RMB5,475,995,000 required guaranteed by subsidiaries of the Group.

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognise its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

19. BORROWINGS (CONTINUED)

The weighted average effective interest rates as of 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank borrowings	6.65%	7.67%
Other borrowings	11.54%	10.83%
Weighted average effective interest rates	7.88%	8.82%

The carrying amounts of the borrowings approximate their fair values as of 30 June 2020 and 31 December 2019 as either the impact of discounting of borrowings with fixed interest rates was not significant, or the borrowings bear interests at floating rates.

20. TRADE PAYABLES, BILLS PAYABLES AND OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Trade and bills payables		
Trade payable (Note a)	2,620,285	1,978,499
Bills payables	68,321	77,527
	2,688,606	2,056,026
Other payables:		
Other taxes payable	50,677	77,610
Payroll payable	35,326	63,373
Amounts due to third parties	124,963	139,812
Deposits received from potential property purchasers	92,001	55,237
Deposits from contractors and suppliers	87,512	52,428
Listing expenses	14,239	4,869
Interest payable	485	5,114
Others	4,435	8,616
	409,638	407,059
	3,098,244	2,463,085

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20. TRADE PAYABLES, BILLS PAYABLES AND OTHER PAYABLES (CONTINUED)

(a) The aging analysis of the trade payables of the Group based on invoice dates is as follows:

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0-30 days	2,239,455	1,780,785
31-60 days	53,041	61,506
61-90 days	151,689	11,690
Over 91 days	176,100	124,518
	2,620,285	1,978,499

(b) An aging analysis of the bills payables of the Group is as follows:

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0-30 days	68,321	21,400
31-60 days	-	19,100
61-90 days	-	4,400
Over 91 days	-	32,627
	68,321	77,527

21. AMOUNTS DUE FROM(TO) NON-CONTROLLING INTERESTS

Amounts due from non-controlling interests mainly represented cash advances to the non-controlling interest of certain subsidiaries. They are unsecured, interest-free and repayable on demand.

Amounts due to non-controlling interests mainly represented cash advances provided by the non-controlling interests of certain subsidiaries. As of 30 June 2020 and 31 December 2019, amounts due to non-controlling interests were interest-free, except for amounts of RMB1,284,225,000 and RMB4,520,326,000, which bear interest ranging from 4.75%-15.0% per annum and an amount of RMB6,099,000 as of 31 December 2019 which bears interest at 20.0% per annum. All of the amounts due to non-controlling interests are unsecured and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

22. FINANCIAL GUARANTEE

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Guarantee in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	5,495,357	3,294,002
Guarantee in respect of borrowings of joint ventures and associates (<i>Note (b) and Note 24</i>)	226,012	905,447
	5,721,369	4,199,449

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

The directors consider that the likelihood of default in payments by purchasers is minimal as the Group is entitled to retain the ownership of the properties, the valuation of which is significantly higher than the guaranteed amounts. Therefore, the financial guarantees measured at fair value is immaterial and no liabilities was recognised.

- (b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the joint ventures and associates at the respective balance sheet dates. The directors consider that the likelihood of default in payments by the joint ventures and associates is minimal and therefore the financial guarantee measured at fair value is immaterial and no liabilities was recognised.

23. COMMITMENTS

Commitments for capital and property development expenditure:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Contracted but not provided for	13,014,043	13,457,571

Note: The amount represented capital commitment for constructions contract and agreed proposed development contracts determined based on current estimated budgets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

24. RELATED PARTY TRANSACTIONS

(a) The ultimate holding companies of the Company are Huaxing Development Co., Ltd., Hualian Development Co., Ltd. and Hualong Development Co., Ltd. The ultimate controlling shareholders of the Company are Mr. Lui Wing Wai, Mr. Lui Wing Nam, Mr. Lui Chi Chung Jimmy, Mr. Lui Jin Ling and Mr. Lui Wing Mau.

(b) Balances with shareholders, associates and joint ventures

	As of 30 June 2020 RMB'000 (Unaudited)	As of 31 December 2019 RMB'000 (Audited)	
Amounts due to a Controlling Shareholder (Note (i))			
– Mr. Lui Jin Ling	–	23,539	Non-trade
Amounts due from joint ventures (Note (ii))	292,735	350,268	Non-trade
Amounts due to joint ventures (Note (iii))	894,836	869,944	Non-trade
Amounts due from associates (Note (iv))	128,389	124,709	Non-trade
Amounts due to associates (Note (v))	1,387,598	1,497,735	Non-trade

Note (i): Amounts due to a Controlling Shareholder mainly represent the cash advances which are interest free, unsecured and repayable on demand. All balances with Controlling Shareholders were fully settled in June 2020.

Note (ii): Amounts due from joint ventures bear interest rates ranging from 6.0% to 8.0% per annum, unsecured and repayable on demand.

Note (iii): Amounts due to joint ventures were interest-free, except for amounts of RMB179,710,000 and RMB145,000,000 as of 30 June 2020 and 31 December 2019, respectively, which bears interest at 8.0% per annum. All balances are unsecured and repayable on demand.

Note (iv): Amounts due from associates bear interest rates ranging from 4.75% to 12.0% per annum, unsecured and repayable on demand.

Note (v): Amounts due to associates were interest-free, except for amounts of RMB151,900,000 and RMB546,196,000 as of 30 June 2020 and 31 December 2019, respectively, which bears interest at 6.32% to 10% per annum, all balances are unsecured and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantee with related parties

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Carrying values of the borrowings of joint ventures and associate guaranteed by certain subsidiaries of the Group		
– Joint ventures	226,012	801,322
– Associates	–	104,125
	226,012	905,447
Carrying values of the borrowings guaranteed by subsidiaries of the Group, the Controlling Shareholders and their spouses in connection with the Group's borrowings (<i>Note 19</i>)	5,475,995	2,095,149

(d) Key management compensation

Key management compensation for the six months ended 30 June 2020 and 2019 are set out below:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Key management compensation		
– Salaries and other employee benefits	2,933	2,233
– Pension costs	214	233
	3,147	2,466

25. EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed in this report, there is no significant event took place subsequent to 30 June 2020.

The following is the text of a report set out on I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GANGLONG CHINA PROPERTY GROUP LIMITED AND WAG WORLDSEC CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of Ganglong China Property Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-77, which comprises the consolidated statements of financial position as of December 31, 2017, 2018 and 2019, the statements of financial position of the Company as of December 31, 2018 and 2019, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) 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-3 to I-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 29, 2020 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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, *Accountant's 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.

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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 accountant's judgment, 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information 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 accountant's report, a true and fair view of the financial position of the Company as of December 31, 2018 and 2019 and the consolidated financial position of the Group as of December 31, 2017, 2018 and 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") 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-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 29, 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

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

Consolidated statements of comprehensive income

	Note	Year ended December 31,		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	5	433,931	1,659,593	1,978,034
Cost of sales	7	(338,928)	(1,148,938)	(1,133,507)
Gross profit		95,003	510,655	844,527
Other income	6	27,367	69,172	77,245
Selling and marketing expenses	7	(18,252)	(60,965)	(212,441)
General and administrative expenses	7	(29,868)	(90,072)	(250,454)
Fair value gains on investment properties	14	19,500	6,700	15,600
Operating profit		93,750	435,490	474,477
Finance income	10	1,487	2,542	8,607
Finance costs	10	(5,804)	(37,174)	(78,623)
Finance costs, net		(4,317)	(34,632)	(70,016)
Share of results of joint ventures and associates	15	(16,750)	80,093	359,427
Profit before income tax		72,683	480,951	763,888
Income tax expenses	11	(39,852)	(148,993)	(293,824)
Profit and total comprehensive income for the years		32,831	331,958	470,064
Attributable to:				
Owners of the Company		31,356	354,831	668,041
Non-controlling interests		1,475	(22,873)	(197,977)
		32,831	331,958	470,064
Earnings per share for profit attributable to owners of the Company				
Basic and diluted per share				
(expressed in RMB per share)	23	31,356	354,831	668,041

Consolidated statements of financial position

	Note	As of December 31,		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	6,899	21,355	36,004
Investment properties	14	148,500	155,200	170,800
Investments accounted for using the equity method ...	15	209,811	714,005	1,103,432
Deferred income tax assets	16	26,776	19,358	151,192
		<u>391,986</u>	<u>909,918</u>	<u>1,461,428</u>
Current assets				
Properties under development	17	2,170,671	5,433,641	16,052,548
Completed properties held for sale	17	63,722	40,725	732,904
Trade and other receivables and prepayments	18	1,353,737	1,096,616	1,252,942
Amounts due from associates	30	268,550	319,636	124,709
Amounts due from joint ventures	30	759,806	569,664	350,268
Amount due from a Controlling Shareholder	30	3	500	–
Amounts due from non-controlling interests	31	6,600	102,043	198,443
Tax recoverable		54,730	126,028	206,629
Restricted cash	19	30,264	219,233	1,414,744
Pledged time deposits	19	–	–	45,920
Cash and cash equivalents	19	166,204	622,753	1,052,217
		<u>4,874,287</u>	<u>8,530,839</u>	<u>21,431,324</u>
Total assets		<u>5,266,273</u>	<u>9,440,757</u>	<u>22,892,752</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	22	–	–	–
Reserves	22	318,271	575,490	1,243,531
		<u>318,271</u>	<u>575,490</u>	<u>1,243,531</u>
Non-controlling interests		<u>3,112</u>	<u>125,683</u>	<u>409,823</u>
Total equity		<u>321,383</u>	<u>701,173</u>	<u>1,653,354</u>
LIABILITIES				
Non-current liabilities				
Borrowings	21	135,300	551,800	1,709,099
Lease liabilities	29	279	3,502	3,782
Deferred income tax liabilities	16	39,075	60,791	94,699
		<u>174,654</u>	<u>616,093</u>	<u>1,807,580</u>
Current liabilities				
Trade payables, bills payables and other payables	20	1,138,423	1,523,305	2,463,085
Lease liabilities	29	672	5,313	8,188
Contract liabilities	5	2,526,642	3,653,783	8,416,172
Amounts due to associates	30	592,355	822,213	1,497,735
Amounts due to joint ventures	30	212,536	509,177	869,944
Amounts due to Controlling Shareholders	30	65,150	9,981	23,539
Amounts due to related parties	30	21,824	11,119	–
Amounts due to non-controlling interests	31	–	1,221,665	4,682,599
Tax payable		30,411	62,635	326,356
Borrowings	21	182,223	304,300	1,144,200
		<u>4,770,236</u>	<u>8,123,491</u>	<u>19,431,818</u>
Total liabilities		<u>4,944,890</u>	<u>8,739,584</u>	<u>21,239,398</u>
Total equity and liabilities		<u>5,266,273</u>	<u>9,440,757</u>	<u>22,892,752</u>

Statements of financial position of the Company

	Note	As of December 31,	
		2018	2019
		RMB'000	RMB'000
ASSETS			
Non-current asset			
Investment in subsidiaries	32, 22	656,864	656,864
Current asset			
Prepayments		3,497	6,696
Total assets		<u>660,361</u>	<u>663,560</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	—	—
Reserves	22	646,146	635,711
Total equity		<u>646,146</u>	<u>635,711</u>
LIABILITIES			
Current liabilities			
Other payables		6,288	4,883
Amount due to subsidiaries		859	3,496
Amount due to a Controlling Shareholder		7,068	19,470
Total liabilities		<u>14,215</u>	<u>27,849</u>
Total equity and liabilities		<u>660,361</u>	<u>663,560</u>

Consolidated statements of changes in equity

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Statutory reserve (Note 22)	Other reserves (Note 22)	Accumulated losses	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017 ...	—	7,453	321,666	(34,998)	294,121	1,637	295,758
Profit and total comprehensive income for the year	—	—	—	31,356	31,356	1,475	32,831
Transactions with owners:							
Dividends paid (Note 12)	—	—	—	(6,667)	(6,667)	—	(6,667)
Capital reduction by then shareholders of Jiangsu Ganglong Mingyang Property Co., Ltd (Note 32(xii))	—	—	(44,022)	—	(44,022)	—	(44,022)
Capital injection from then shareholders to Jiangsu Ganglong Huayang Property Co., Ltd (Note 32(xiii))	—	—	43,483	—	43,483	—	43,483
Appropriation to statutory reserves	—	15,392	—	(15,392)	—	—	—
	—	15,392	(539)	(22,059)	(7,206)	—	(7,206)
Balance at December 31, 2017	—	22,845	321,127	(25,701)	318,271	3,112	321,383

	Attributable to owners of the Company						
	Share capital	Statutory reserve (Note 22)	Other reserves (Note 22)	(Accumulated	Sub-total	Non-controlling interests	Total
				losses)/ retained earnings			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2018 ...	—	22,845	321,127	(25,701)	318,271	3,112	321,383
Profit and total comprehensive income for the year	—	—	—	354,831	354,831	(22,873)	331,958
Transactions with owners:							
Dividend paid (Note 12)	—	—	—	(92,000)	(92,000)	(2,000)	(94,000)
Acquisition of additional interests in Yancheng Ganglong Real Estate Co., Ltd (“Yancheng Ganglong”) (Note 26)	—	—	(5,612)	—	(5,612)	(2,095)	(7,707)
Acquisition of Luoyang Ganglong Property Co., Ltd. (Note 33 (a))	—	—	—	—	—	151	151
Acquisition of Shanghai Chongming Yushang Real Estate Development Co., Ltd (Note 33(b))	—	—	—	—	—	4,990	4,990
Capital injection from non-controlling interests (Note 32(xiv))	—	—	—	—	—	144,398	144,398
Appropriation to statutory reserves	—	43,302	—	(43,302)	—	—	—
	—	43,302	(5,612)	(135,302)	(97,612)	145,444	47,832
Balance at December 31, 2018	—	66,147	315,515	193,828	575,490	125,683	701,173

	Attributable to owners of the Company						
	Share capital	Statutory reserve (Note 22)	Other reserves (Note 22)	Retained	Sub-total	Non-controlling interests	Total
				earnings			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2019 ...	—	66,147	315,515	193,828	575,490	125,683	701,173
Profit and total comprehensive income for the year	—	—	—	668,041	668,041	(197,977)	470,064
Transactions with owners:							
Capital injection from non-controlling interests (Note 32(xiv))	—	—	—	—	—	482,117	482,117
Appropriation to statutory reserve	—	69,974	—	(69,974)	—	—	—
	—	69,974	—	(69,974)	—	482,117	482,117
Balance at December 31, 2019	—	136,121	315,515	791,895	1,243,531	409,823	1,653,354

Consolidated statements of cash flows

	Note	Year ended December 31,		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	25(a)	118,203	(467,394)	(6,547,423)
Income tax paid		(42,319)	(158,933)	(208,608)
Net cash generated from/(used in) operating activities		75,884	(626,327)	(6,756,031)
Cash flows from investing activities				
Payments for purchase of property, plant and equipment		(1,525)	(5,793)	(17,980)
Proceeds from disposals of property, plant and equipment	25(b)	153	92	882
Net cash paid for acquisition of subsidiaries	32	–	(196,746)	–
Investment in associates	15	–	(192,101)	(30,000)
Investment in joint ventures	15	(157,771)	(232,000)	–
Advances to Controlling Shareholders		(4,023,159)	(6,006,590)	(112,000)
Repayment of advances to Controlling Shareholders		3,998,827	5,954,382	112,500
Advances to associates		(268,137)	(937,535)	(328,074)
Repayment of advances to associates		198,369	892,552	534,975
Advances to joint ventures		(1,262,939)	(1,659,802)	(796,800)
Repayment of advances to joint ventures		509,367	1,861,615	1,016,196
Advances to non-controlling interests		(6,600)	(357,639)	(409,966)
Repayment of advances to non-controlling interests		–	262,196	314,535
Advances to third parties		(303,700)	(355,745)	(15,975)
Repayment of advances to third parties		–	445,750	214,545
Interest received		8,432	2,542	8,607
Net cash (used in)/generated from investing activities		(1,308,683)	(524,822)	491,445
Cash flows from financing activities				
Advances from associates		900,261	522,652	837,442
Repayment of advances from associates		(396,906)	(292,794)	(161,920)
Advances from joint ventures		530,694	894,688	830,947
Repayment of advances from joint ventures		(318,158)	(598,047)	(470,180)
Advances from Controlling Shareholders		160,570	116,781	353,442
Repayment of advances from Controlling Shareholders		(144,750)	(122,920)	(339,884)
Advances from related parties		5,389	33,056	79,079
Repayment of advances from related parties		(2,635)	(34,193)	(90,198)
Advances from non-controlling interest		–	2,397,679	7,771,199
Repayment of advances from non-controlling interest		–	(1,176,014)	(4,318,482)
Advances from third parties		80,000	–	14,500
Repayment of advances from third parties		(5,000)	(423,799)	(94,978)
Proceeds from borrowings		305,000	480,800	2,831,549
Repayment of borrowings		(37,900)	(182,223)	(834,350)
Repayment of principal portion of lease liabilities	29(c)	(1,993)	(6,314)	(6,495)
Repayment of interest portion of lease liabilities	29(c)	(123)	(156)	(813)
Payments for listing expenses		–	(1,953)	(3,135)
Payments for acquisition of non-controlling interests	26	–	(7,707)	–
Capital injection from non-controlling interests	32	–	144,398	482,117
Capital reduction by then shareholders of Jiangsu Ganglong Mingyang Property Co., Ltd	32	(44,022)	–	–
Capital injection from then shareholders to Jiangsu Ganglong Huayang Property Co., Ltd	32	43,483	–	–
Dividend paid to the then equity holders		(6,667)	(94,000)	–
Interest paid		(11,735)	(42,236)	(185,790)
Net cash generated from financing activities		1,055,508	1,607,698	6,694,050
Net (decrease)/increase in cash and cash equivalents		(177,291)	456,549	429,464
Cash and cash equivalents at the beginning of years		343,495	166,204	622,753
Cash and cash equivalents at the end of years	19	166,204	622,753	1,052,217

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on October 8, 2018 as an exempted company with limited liability under the Companies Law, Cap. 22(Law 3 of 1961, as consolidated and revised) of Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development of real estate projects in the People's Republic of China (the "**PRC**") (the "**Listing Business**").

The ultimate controlling shareholders are Mr. Lui Wing Wai, Mr. Lui Man Wai, Mr. Lui Wing Nam, Mr. Lui Chi Chung Jimmy, Mr. Lui Jin Ling and Mr. Lui Wing Mau (together, the "**Controlling Shareholders**") throughout the Track Record Period. On November 29, 2018, the Controlling shareholders have entered into a deed to confirm and signify that they have been acting in concert in respect of the Company, Jiangsu Ganglong Realty Group Co., Ltd ("**Ganglong PRC**"), Jiangsu Ganglong Mingyang Property Co., Ltd ("**Ganglong Mingyang**") and Jiangsu Gang Long Huayang Property Co., Ltd ("**Ganglong Huayang**") (together, the "**Operating Companies**") and their subsidiaries throughout the Track Record Period. Mr. Lui Man Wai passed away in January, 2020. His interest in the Company is held through Huaxing, which is directly owned by Mr. Lui Wing Wai and Mr. Lui Man Wai as to 60% and 40% respectively. The said 40% shareholding in Huaxing, being part of the estate of Mr. Lui Man Wai, shall be inherited by his parents, namely Mr. Lui Wing Wai and Ms. Chan Mei Kum, on equal basis according to the Intestates' Estates Ordinance. Up to the date of this report, the relevant procedures for obtaining the letters of administration of Mr. Lui Man Wai's estate are in progress. Ms. Chan Mei Kum further confirmed that she renounces all of her interest in Huaxing, which, upon succession of the administration estate, will be entirely owned by Mr. Lui Wing Wai. The deed of acting in concert shall continue to bind the Controlling Shareholders.

1.2 Reorganization

In preparation for the initial public offering and listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganization (the "**Reorganization**") of the corporate structure of the companies now comprising the Group. The steps of the Reorganization mainly involved the following:

- (i) On September 27, 2018, Huaxing Development Co., Ltd. ("**Huaxing**") was incorporated under the laws of the British Virgin Islands ("**BVI**") authorized to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On the same day, 60 shares and 40 shares of Huaxing were allotted and issued, credited as fully paid, to Mr. Lui Wing Wai and Mr. Lui Man Wai, respectively. Upon the allotment, the equity interest of Huaxing is owned by Mr. Lui Wing Wai and Mr. Lui Man Wai, respectively.
- (ii) On September 27, 2018, Hualian Development Co., Ltd. ("**Hualian**") was incorporated under the laws of the BVI authorized to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On the same day, 60 shares and 40 shares of Hualian were allotted and issued, credited as fully paid, to Mr. Lui Wing Nam and Mr. Lui Chi Chung Jimmy, respectively. Upon the allotment, the equity interest of Hualian is owned by Mr. Lui Wing Nam and Mr. Lui Chi Chung Jimmy, respectively.

- (iii) On September 27, 2018, Hualong Development Co., Ltd. (“**Hualong**”) was incorporated under the laws of the BVI authorized to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On the same day, 60 shares and 40 shares of Hualong were allotted and issued, credited as fully paid, to Mr. Lui Jin Ling and Mr. Lui Wing Mau, respectively. Upon the allotment, the equity interest of Hualong is owned by Mr. Lui Jin Ling and Mr. Lui Wing Mau, respectively.
- (iv) On October 8, 2018, the Company was incorporated under the laws of the Cayman Islands with an authorized share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. 1 share was allotted and issued, credited as fully paid, to the initial subscriber, which was subsequently transferred to Huaxing. On the same day, 419 shares, 330 shares and 250 shares of the Company were issued and allotted, credited as fully paid, to Huaxing, Hualian and Hualong, respectively. Upon the share transfer and allotment, the equity interest of the Company is owned as to 42%, 33% and 25% by Huaxing, Hualian and Hualong, respectively.
- (v) On October 9, 2018, Huayang Development Co., Ltd. (“**Huayang**”) was incorporated in the BVI authorized to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On the same day, 1 share was allotted and issued to the Company. Upon the allotment, the equity interest of Huayang is wholly-owned by the Company.
- (vi) On October 19, 2018, Ganglong Development Group Limited (“**Ganglong Hong Kong**”) was incorporated in Hong Kong. On the same day, 1 share of Ganglong Hong Kong were allotted and issued to Huayang. Upon the allotment, the equity interest of Ganglong Hong Kong is wholly-owned by Huayang.
- (vii) On November 8, 2018, the Controlling Shareholders entered into an equity interest transfer agreement with Ganglong PRC in relation to the transfer of their equity interest in Ganglong PRC to Ganglong Hong Kong for total consideration of US\$21,000,000.
- On November 29, 2018, the above parties entered into a consideration settlement agreement, pursuant to which, the parties agree that the relevant consideration be settled by Ganglong Hong Kong allotting and issuing 3 ordinary shares of Ganglong Hong Kong to Huayang.
- (viii) On November 8, 2018, the Controlling Shareholders entered into an equity interest transfer agreement with Ganglong Mingyang in relation to the transfer of their equity interest of 66.7% in Ganglong Mingyang to Ganglong Hong Kong for total consideration of US\$3,333,000. The remaining 33.33% equity interest in Ganglong Mingyang was held by Ganglong PRC throughout the Track Record Period.
- On November 29, 2018, the above parties entered into a consideration settlement agreement, pursuant to which, the parties agree that the relevant consideration be settled by Ganglong Hong Kong allotting and issuing 3 ordinary shares of Ganglong Hong Kong to Huayang.
- (ix) On November 8, 2018, the Controlling Shareholders entered into an equity interest transfer agreement with Ganglong Huayang in relation to the transfer of their equity interest in Ganglong Huayang to Ganglong Hong Kong for total consideration of US\$16,000,000.
- On November 29, 2018, the above parties entered into a consideration settlement agreement, pursuant to which, the parties agree that the relevant consideration be settled by Ganglong Hong Kong allotting and issuing 3 ordinary shares of Ganglong Hong Kong to Huayang.

Upon completion of the Reorganization, the Company became the holding company of the companies comprising the Group. For details of the Group’s subsidiaries, please refer to Note 32.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was mainly conducted through the Operating Companies and their subsidiaries and is ultimately controlled by the Controlling Shareholders. Pursuant to the Reorganization, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business with no change in management and the ultimate owners of the Listing Business remained the same. Accordingly, the Historical Financial Information of the Group is presented using the carrying values of the Listing Business for all period presented. Inter-company transactions, balances and unrealized gains/losses on transactions between the companies are eliminated by consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Historical Financial Information has been prepared under the historical cost convention, except as modified by investment properties which are measured at fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management of the Group to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, the Group has consistently adopted all standards and amendments that were effective for accounting periods beginning on or before January 1, 2019, which include HKFRS 9 “Financial Instruments” (“**HKFRS 9**”), HKFRS 15 “Revenue from contracts with customers” (“**HKFRS 15**”) and HKFRS 16 “Leases” (“**HKFRS 16**”), and the Group has early adopted Amendments to HKFRS 3 “Definition of a Business” (“**Amendments to HKFRS 3**”), to the Group’s consolidated financial statements throughout the Track Record Period.

2.1.1 Standards, amendments to standards and interpretation which are not yet effective

The following new standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	January 1, 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	January 1, 2020
HKFRS 17	Insurance Contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments and interpretation to existing HKFRSs.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights, except for joint arrangements as detailed in (c) below. Investments in associates are accounted for using the equity method of accounting (see(d) below), after initially being recognized at cost.

(c) Joint arrangements

Under HKFRS 11 "Joint Arrangements" investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method(see(d) below), after initially being recognized at cost in the consolidated statements of financial position.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in consolidated statements of comprehensive income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associated companies and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(e) Structured entities

For structured entities, the Group assesses whether they should be consolidated based on the contractual terms as to whether the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Third-party beneficiaries' interests in the consolidated structured entities with a limited life and are classified as liabilities in the Group's consolidated balance sheets, and net profits or losses attributable to third-party beneficiaries are recorded in consolidated profit or loss as "finance costs".

(f) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in consolidated statements of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

Except for the Reorganization, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in consolidated statements of comprehensive income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in consolidated statements of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in consolidated statements of comprehensive income.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operations decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company ("**Executive Directors**") who make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). This Historical Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to consolidated statements of comprehensive income, as part of the gain or loss on sale.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the Track Record Period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of 5 years or the lease terms
Computer and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statements of comprehensive income.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date of the lease to the end of the useful life of the underlying assets. Otherwise, right-of-use assets are depreciated over the shorter of the assets' useful lives and their lease terms on a straight-line basis.

2.8 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, included related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are presented in consolidated statements of comprehensive income as part of a valuation gain or loss.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial instruments

2.10.1 Classification

The Group classifies its financial assets as those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Impairment of financial assets

The Group's financial assets measured at amortized cost are subject to HKFRS 9's new expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) set out the details how the Group determines whether there has been a significant increase in credit risk.

For all trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.13 Properties under development

Properties under development are stated at the lower of cost and net realizable value. 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 and the anticipated costs to completion based on prevailing marketing conditions.

Development cost of property primarily comprises land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 to 3 years.

2.14 Completed properties held for sale

Completed properties remaining unsold at the end of reporting period are stated at the lower of cost and net realizable value. Cost comprises development costs 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.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.16 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognizes the incremental costs of obtaining a contract with a customer within prepayments if the Group expects to recover these costs.

2.17 Cash and cash equivalents, restricted cash and pledged time deposits

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated statements of financial position. Time deposits pledged for notes payables of the Group are included in "pledged time deposit" of the consolidated statements of financial position. Restricted cash and pledged time deposit are excluded from cash and cash equivalents.

2.18 Share capital

Ordinary shares are classified as equity. Increment cost directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statements over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries and associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The deferred tax liability in relation to investment property that is measured at fair value is determined on the basis that the property will be recovered entirely through use.

2.22 Employee benefits

(i) Pension obligations

The group companies incorporated in PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contribution to these defined contribution plans are expenses as incurred.

(ii) Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables for the sales of properties in the PRC in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties

Revenue is recognized when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the purchaser; or
- Creates and enhances an asset that the purchaser controls as the Group performs;
- 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.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognized when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

If control of the asset transfer over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

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

2.25 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.26 Leases

The Group leases various properties to operate as its office premises. Property leases are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statements of financial position based on their nature.

2.27 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantee is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate. Dividend distribution to the then shareholders of the group companies during the period before the Reorganization was completed is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the directors of the respective group companies.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group principally operates in the PRC with most of the transactions denominated in RMB. The exposure to foreign exchange risk is not material to the Group.

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As of December 31, 2017, 2018 and 2019, bank and other borrowings of the Group which were bearing interest at floating rates amounted to approximately RMB120,000,000, RMB153,000,000 and RMB2,133,199,000 respectively. If interest rates on borrowings at floating rates had been 50 basis point higher or lower with all other variables held constant and without taking into account interest capitalization, interest charges for the years ended December 31, 2017, 2018 and 2019 would increase/decrease RMB600,000, RMB765,000 and RMB10,666,000, respectively.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, pledged time deposits, cash and cash equivalents, restricted cash, amount due from a Controlling Shareholder, amounts due from associates and joint ventures and amounts due from related parties included in the consolidated statements of financial position, which represent the Group's maximum exposure to credit risk in relation to its financial assets. Management has credit policies in place to monitor the exposures to these credit risks on an ongoing basis.

As of December 31, 2017, 2018 and 2019, in order to manage this risk, the Group's bank deposits are mainly deposited with reputable banks which are all high-credit-quality financial institutions incorporated in the PRC.

For the trade receivables arising from sales of properties, the Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 27. If a purchase defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is mitigated.

For other receivables and amounts due from associates, joint ventures and related parties, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counterparties is low. The directors of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of these receivables.

The Group categories trade or other receivables as default when a debtor fails to make contractual payments. Where a debtor fails to make contractual payments, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Trade and other receivables are written off where there is no reasonable expectation of recovery.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties.

The Group overall considers the shared credit risk characteristic and the days past due of the trade receivables to measure the expected credit loss. Based on management assessment, the expected credit losses of the financial assets mentioned above are close to zero. The loss allowance provision for these balances was not material during the Track Record Period.

For other receivables and amounts due from associates, joint ventures and related parties, the measurement of the expected credit losses has been grouped based on shared credit risk characteristics and the days past due. All of these financial assets are considered to have low credit risk and thus the impairment provision recognised was based on 12 months expected losses. Management considered other receivables from third parties, amounts due from associates, joint ventures and related parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to its considered contractual cash flow obligation in the near term and the loss allowance provision for these balances was not material during the Track Record Period.

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows expect for the maximum exposure of financial guarantee, the management of which is disclosed in Note 27.

	On demand	Less than 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017						
Borrowings (including interest payables)	–	195,337	71,147	102,153	7,391	376,028
Trade and other payables, excluding payroll payable and other taxes payable	–	1,046,450	–	–	–	1,046,450
Amounts due to associates	592,355	–	–	–	–	592,355
Amounts due to joint ventures	212,536	–	–	–	–	212,536
Amount due to Controlling Shareholders	65,150	–	–	–	–	65,150
Amounts due to related parties	21,824	–	–	–	–	21,824
Lease liabilities (including interest payables)	–	716	154	154	–	1,024
Financial guarantee	1,115,672	–	–	–	–	1,115,672
	<u>2,007,537</u>	<u>1,242,503</u>	<u>71,301</u>	<u>102,307</u>	<u>7,391</u>	<u>3,431,039</u>
At December 31, 2018						
Borrowings (including interest payables)	–	338,728	570,681	11,184	3,689	924,282
Trade and other payables, excluding payroll payable and other taxes payable	–	1,381,545	–	–	–	1,381,545
Amounts due to associates	822,213	–	–	–	–	822,213
Amounts due to joint ventures	509,177	–	–	–	–	509,177
Amount due to Controlling Shareholders	9,981	–	–	–	–	9,981
Amounts due to related parties	11,119	–	–	–	–	11,119
Amounts due to non-controlling interests	1,221,665	–	–	–	–	1,221,665
Lease liabilities (including interest payables)	–	5,845	3,853	–	–	9,698
Financial guarantee	2,855,431	–	–	–	–	2,855,431
	<u>5,429,586</u>	<u>1,726,118</u>	<u>574,534</u>	<u>11,184</u>	<u>3,689</u>	<u>7,745,111</u>
At December 31, 2019						
Borrowings (including interest payables)	–	1,314,410	1,847,044	210,662	–	3,372,116
Trade payables, bills payables and other payables, excluding payroll payable and other taxes payable ..	–	2,322,102	–	–	–	2,322,102
Amounts due to associates	1,497,735	–	–	–	–	1,497,735
Amounts due to joint ventures	869,944	–	–	–	–	869,944
Amount due to Controlling Shareholders	23,539	–	–	–	–	23,539
Amounts due to non-controlling interests	4,682,599	–	–	–	–	4,682,599
Lease liabilities (including interest payables)	–	8,916	3,903	–	–	12,819
Financial guarantee	4,199,449	–	–	–	–	4,199,449
	<u>11,273,266</u>	<u>3,645,428</u>	<u>1,850,947</u>	<u>210,662</u>	<u>–</u>	<u>16,980,303</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants (Note 21) for maintaining the Group's banking facilities and borrowings, the Group is not subject to any externally imposed capital requirements. The management monitors capital on the basis of the gearing ratio of the Group. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, amounts due to third parties, amounts due to associates and joint ventures, amounts due to non-controlling interests and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt.

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Borrowings (Note 21)	317,523	856,100	2,853,299
Amounts due to third parties (Note 20).....	80,000	228,507	139,812
Amounts due to associates (Note 30)	592,355	822,213	1,497,735
Amounts due to joint ventures (Note 30)	212,536	509,177	869,944
Amounts due to non-controlling interests (Note 31)	–	1,221,665	4,682,599
Lease liabilities (Note 29)	951	8,815	11,970
Total borrowings	1,203,365	3,646,477	10,055,359
Less: Cash and cash equivalents (Note 19)	(166,204)	(622,753)	(1,052,217)
Net borrowings	1,037,161	3,023,724	9,003,142
Total equity	321,383	701,173	1,653,354
Total capital	1,358,544	3,724,897	10,656,496
Gearing ratio	76.3%	81.2%	84.5%

3.3 Fair value estimation

Investment properties of the Group were measured at fair value.

(a) Fair value hierarchy

This note explains the judgments and estimates made in determining the fair values of investment properties that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the end of the reporting period.

There were no transfers among level 1, 2 and 3 recurring fair value measurements during the Track Record Period.

(b) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's investment properties are derived using the income capitalization approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been the capitalized to determine the fair value at an appropriation capitalization rate.

All resulting fair values estimates for investment properties are included in level 3.

(c) Fair value measurement using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended December 31, 2017, 2018 and 2019 for recurring fair value measurements are disclosed below.

(d) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (b) above for the valuation techniques adopted.

		Fair value at December 31,		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Investment properties		148,500	155,200	170,800

		Range of unobservable inputs		
		As of December 31,		
Properties	Unobservable inputs	2017	2018	2019
Investment properties	Capitalization rate	5.0%-5.5%	5.0%-5.5%	4.8%-5.3%
	Monthly rental (RMB/sq.m./Month)	67.8-83.3	64.9-95.0	71.1-101.3

Relationship of unobservable inputs to fair value:

- The higher capitalization rate, the lower the fair value;
- The higher monthly rental, the higher the fair value.

(e) Valuation processes of the Group

The Group's investment properties were valued at December 31, 2017, 2018 and 2019 by independent professionally qualified valuer, who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once in each reporting periods.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

(f) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in Note 28(b).

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 5 years.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the consolidated financial statements within the next financial year are addressed below.

(a) Revenue recognition on properties sold

Judgment on recognition method

The Group recognizes revenue from sales of properties at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. Whether there is an enforceable right to payment depends on the terms of sales contract (by written or verbal) and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments interpretation.

Judgment on recognition point

Management has also made judgment on when control of properties are transferred to customers. Control of properties are transferred to customer upon which the construction of relevant properties has been completed and upon which the properties has been handovered to the customers, the Group has present right to payment and the collection of the consideration is probable, usually all considerations received before handover of the properties to customers.

The judgment on the right to payment associated with the property sales transaction and the transfer of control of properties would affect the Group's profit for the Track Record Period and the carrying value of completed properties held for sale.

(b) 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 judgments 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.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated statements of financial position.

Accordingly, any changes in classification as a result of recognition or derecognition of material investments could have a material and pervasive impact on the consolidated financial statements.

(c) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group's land appreciation taxes calculation and payments are subject to finalization with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognizes these land appreciation taxes based on management's best estimates according to the understanding of the tax rules, by using a single best estimate of the most likely outcome approach. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalized with local tax authorities.

(d) Income tax and deferred income tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group recognizes tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(e) Provision for impairment of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realizable value based on the realizability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized. The assessment requires the use of judgment and estimates.

(f) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the balance sheet dates. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on the available data from binding sales transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(g) Impairment assessment of financial assets

The loss allowance for financial assets are based on assumption about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b) to the Historical Financial Information.

(h) Fair value of investment properties

Investment properties including those investment properties, are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent professional property valuer using property valuation techniques which involve certain assumptions of prevailing market conditions.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

The Executive Directors has been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors assess the performance of the operating segment based on a measure of profit before income tax and regard these to be only one operating segment – property development. Accordingly, segment disclosures are not presented. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in China, which is considered as one geographical location in an economic environment with similar risk and returns.

For the years ended December 31, 2017, 2018 and 2019, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

The revenue from contracts with customers recognized during the Track Record Period are sales of properties in the PRC, all of which recognized at a point in time.

The revenue from external parties is derived from numerous external customers and the revenue reported to the Executive Directors is measured in a manner consistent with that in the Historical Financial Information.

(a) Details of contract liabilities

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contract liabilities related to sales of properties (Note)	<u>2,526,642</u>	<u>3,653,783</u>	<u>8,416,172</u>

Note: As of December 31, 2017, 2018 and 2019, contract liabilities represent advanced payments received from customers for properties that have not yet been transferred to the customers. Increased in contract liabilities during the years ended December 31, 2017, 2018 and 2019 represents increase in advanced payments received from customers.

(b) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the Track Record Period related to carried-forward contract liabilities.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the years			
Sales of properties	<u>403,612</u>	<u>1,596,549</u>	<u>1,801,658</u>

(c) Unsatisfied contracts related to sales of properties

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Sales of properties			
Expected to be recognized			
– Within one year	1,659,593	1,978,034	4,162,306
– After one year	<u>1,283,347</u>	<u>2,024,328</u>	<u>7,456,336</u>
	<u>2,942,940</u>	<u>4,002,362</u>	<u>11,618,642</u>

(d) Assets recognized from costs to fulfill a contract

In addition to the contract balances disclosed above, the Group has also recognized sales commission as an asset in relation to costs to fulfill the contracts with customers. This is presented within trade and other receivables and prepayments in the consolidated statements of financial position.

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Sales commission recognized from costs incurred to fulfill a contract (Note 18)	<u>10,027</u>	<u>9,444</u>	<u>16,606</u>

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Sales commission recognized as cost of sales of properties during the years (Note 7)	966	6,200	3,435

(e) Unsatisfied contracts related to the costs to fulfill a contract

	As at December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Sales commission			
Expected to be utilized			
– Within one year	6,200	3,435	12,853
– After one year	3,827	6,009	3,753
	<u>10,027</u>	<u>9,444</u>	<u>16,606</u>

6 OTHER INCOME

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Management and consulting service income (Note (a))	–	14,958	46,974
Rental income	931	1,781	5,078
Interest income from associates, joint ventures and other third parties	26,238	51,199	23,382
Gains on disposal of property, plant and equipment	75	92	323
Others	123	1,142	1,488
	<u>27,367</u>	<u>69,172</u>	<u>77,245</u>

Notes:

- (a) The amounts represent the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects (Note 30(b)).

7 EXPENSES BY NATURE

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cost of inventories sold – including construction cost, land costs and capitalized interest expenses	318,741	1,139,402	1,114,726
Business taxes and other taxes surcharges	20,187	9,536	18,781
Employee benefit expenses (Note 8)	21,642	69,092	208,145
Management and consulting services fee (Note (a))	–	–	35,098
Donation	100	138	2,674
Advertising and promotion expenses	7,919	18,088	90,215
Office expenses	3,157	11,466	38,511
Depreciation on property, plant and equipment and right-of-use assets (Note 13)	3,470	5,622	12,400
Entertainment expenses	3,184	8,293	21,320
Recruitment fee	90	1,986	2,308
Motor vehicle expenses	157	810	1,410
Auditors' remuneration	119	273	1,233
Guarantee fee	–	4,105	10,826
Legal and professional service fees	1,293	4,492	7,019
Listing expenses	–	10,718	10,103
Travelling and transportation expenses	1,750	4,716	8,797
Sales commission	966	6,200	3,435
Others	4,273	5,038	9,401
Total cost of sales, selling and marketing expenses and general and administrative expenses	<u>387,048</u>	<u>1,299,975</u>	<u>1,596,402</u>

Note:

(a) The amounts represent the fees paid to certain non-controlling interest shareholders and third parties in relation to the management and consulting services provided by them for the property development projects.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Wages, salaries and other benefits	17,663	60,448	186,358
Pension costs – defined contribution plans	<u>3,979</u>	<u>8,644</u>	<u>21,787</u>
	<u>21,642</u>	<u>69,092</u>	<u>208,145</u>

The Group recognizes employee benefit expenses in the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Selling and marketing expenses	8,409	28,143	81,625
General and administrative expenses	<u>13,233</u>	<u>40,949</u>	<u>126,520</u>
	<u>21,642</u>	<u>69,092</u>	<u>208,145</u>

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors of the Company for the years ended December 31, 2017, 2018 and 2019 are set out below:

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefit in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Group	Total
						RMB'000	
For the year ended December 31, 2017							
Executive Directors							
Mr. Lui Wing Wai (Chairman and CEO)	–	241	54	–	–	–	295
Mr. Lui Chi Chung Jimmy . . .	–	256	36	–	9	–	301
Mr. Lui Jin Ling	–	241	54	–	–	–	295
Mr. Lui Man Wai (Note (v)) . . .	–	220	54	–	–	–	274
	–	<u>958</u>	<u>198</u>	–	<u>9</u>	–	<u>1,165</u>
Non-executive Directors							
Mr. Lui Wing Nam	–	169	54	–	–	–	223
Mr. Lui Wing Mau	–	169	54	–	–	–	223
	–	<u>338</u>	<u>108</u>	–	–	–	<u>446</u>
	=	<u><u> </u></u>	<u><u> </u></u>	=	<u><u> </u></u>	=	<u><u> </u></u>
For the year ended December 31, 2018							
Executive Directors							
Mr. Lui Wing Wai (Chairman and CEO)	–	346	60	–	–	–	406
Mr. Lui Chi Chung Jimmy . . .	–	352	–	–	9	–	361
Mr. Lui Jin Ling	–	326	75	–	–	–	401
Mr. Lui Man Wai (Note (v)) . . .	–	302	100	–	–	–	402
	–	<u>1,326</u>	<u>235</u>	–	<u>9</u>	–	<u>1,570</u>
	=	<u><u> </u></u>	<u><u> </u></u>	=	<u><u> </u></u>	=	<u><u> </u></u>
Non-executive Directors							
Mr. Lui Wing Nam	–	260	–	–	–	–	260
Mr. Lui Wing Mau	–	260	–	–	–	–	260
	–	<u>520</u>	–	–	–	–	<u>520</u>
	=	<u><u> </u></u>	<u><u> </u></u>	=	<u><u> </u></u>	=	<u><u> </u></u>
For the year ended December 31, 2019							
Executive Directors							
Mr. Lui Wing Wai (Chairman and CEO)	–	712	–	–	34	–	746
Mr. Lui Chi Chung Jimmy . . .	–	594	–	–	34	–	628
Mr. Lui Jin Ling	–	594	–	–	34	–	628
Mr. Lui Man Wai (Note (v)) . . .	–	594	–	–	34	–	628
	–	<u>2,494</u>	–	–	<u>136</u>	–	<u>2,630</u>
	=	<u><u> </u></u>	<u><u> </u></u>	=	<u><u> </u></u>	=	<u><u> </u></u>
Non-executive Directors							
Mr. Lui Wing Nam	–	711	–	–	–	–	711
Mr. Lui Wing Mau	–	711	–	–	–	–	711
	–	<u>1,422</u>	–	–	–	–	<u>1,422</u>
	=	<u><u> </u></u>	<u><u> </u></u>	=	<u><u> </u></u>	=	<u><u> </u></u>

Notes:

- (i) *The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the subsidiaries of the Group and no directors waived any emolument during the years ended December 31, 2017, 2018 and 2019.*
- (ii) *No director fees were paid to these directors in their capacity as directors of the Company and no emoluments were paid by the Group to the directors as an inducement to join the Group, or as compensation for loss of office during the years ended December 31, 2017, 2018 and 2019.*
- (iii) *Mr. Lui Wing Wai, Mr. Lui Jin Ling, Mr. Lui Chi Chung and Mr. Lui Man Wai were appointed as executive directors of the Company on September 17, 2019.*
- (iv) *Mr. Lui Wing Mau and Mr. Lui Wing Nam were appointed as non-executive directors of the Company on September 17, 2019.*
- (v) *Mr. Lui Man Wai passed away on January 24, 2020.*
- (vi) *Mr. Wan Ho Yin, Mr. Guo Shaomu and Ms. Tang Lo Nar were appointed as the Company's independent non-executive directors on June 20, 2020. During the Track Record period, the independent non-executive directors had not been appointed and had not received any remuneration.*

During the Track Record Period, none of the directors of the Company waived any emoluments paid or payable by the Group and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' retirement benefits and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favor of the directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each period or at any time during the Track Record Period.

(f) Five highest paid individuals

For the years ended December 31, 2017, 2018 and 2019, the five individuals whose emoluments were the highest in the Group included 2, Nil and Nil directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3, 5 and 5 individuals during the years ended December 31, 2017, 2018 and 2019 are as follows:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Wages, salaries and other benefits	965	2,271	5,533
Pension costs – defined contribution plans	28	91	316
	<u>993</u>	<u>2,362</u>	<u>5,849</u>

The emoluments payable to the remaining 3, 5 and 5 individuals during the years ended December 31, 2017, 2018 and 2019 fell within the following band:

	Year ended December 31,		
	2017	2018	2019
Annual emolument band			
Nil to HKD1,000,000	3	5	–
HKD1,000,001 to HKD1,500,000	–	–	4
HKD1,500,001 to HKD2,000,000	–	–	1
	<u>=</u>	<u>=</u>	<u>=</u>

During the Track Record Period, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Finance income			
Interest income from			
– Bank deposits	1,487	2,542	8,607
Finance costs			
Interest expense for			
– Lease liabilities	(123)	(156)	(813)
– Bank and other borrowings	(10,135)	(46,523)	(152,589)
– Amount due to associates and a joint venture	–	(5,194)	(20,121)
– Amounts due to non-controlling interests	–	(36,550)	(230,016)
Add: capitalized interest	4,454	51,249	324,916
	<u>(5,804)</u>	<u>(37,174)</u>	<u>(78,623)</u>
Finance costs, net	<u>(4,317)</u>	<u>(34,632)</u>	<u>(70,016)</u>

11 INCOME TAX EXPENSES

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current income tax			
– PRC corporate income tax	26,026	86,712	207,356
– PRC land appreciation tax	11,090	33,147	184,394
	37,116	119,859	391,750
Deferred income tax (Note 16)	2,736	29,134	(97,926)
Income tax expenses	<u>39,852</u>	<u>148,993</u>	<u>293,824</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of where the Group operates and the difference is set out below:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Profit before income tax	72,683	480,951	763,888
Adjust for share of results of joint ventures and associates	16,750	(80,093)	(359,427)
	89,433	400,858	404,461
Tax calculated at applicable income tax rate	22,358	101,145	102,253
Effect of income not taxable for income tax purpose	(234)	(200)	(55)
Effect of expenses not deductible for income tax purpose	1,136	5,402	4,512
Effect of withholding tax on undistributed profits	8,272	17,189	41,976
PRC land appreciation tax deductible for corporate income tax purpose.....	(2,772)	(8,286)	(46,098)
Effect of tax losses not recognized as deferred income tax assets	2	596	6,842
	28,762	115,846	109,430
PRC land appreciation tax	11,090	33,147	184,394
	<u>39,852</u>	<u>148,993</u>	<u>293,824</u>

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended December 31, 2017, 2018 and 2019 based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law").

PRC Land appreciation tax ("LAT")

Pursuant to the requirements in relation to LAT in the PRC, all income from the sale or transfer of state-owned land use rights, building and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the BVI and is exempted from British Virgin Islands income tax. The Group's subsidiary in the Hong Kong is subject to corporate income tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on December 6, 2017, dividends distributed from the profits generated the profits generated by the PRC companies after January 1, 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong.

Deferred income tax liabilities of approximately RMB11,664,000, RMB28,853,000 and RMB70,829,000 as of December 31, 2017, 2018 and 2019 respectively have been provided for at the applicable tax rate 10% in this Historical Financial Information in respect of temporary differences attributable to undistributed profits of the Company's PRC subsidiaries.

12 DIVIDENDS

No dividend has been declared or paid by the Company since its incorporation.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Dividends	6,667	92,000	—

Dividends during the years ended December 31, 2017 and 2018 represented dividends declared by companies now comprising the Group to the then equity holders of the companies for the years ended December 31, 2017 and 2018, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of- use assets (Note 29)	Leasehold improvement	Computer and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017					
Cost	5,164	195	4,628	7,273	17,260
Accumulated depreciation	(2,744)	(117)	(3,070)	(3,429)	(9,360)
Net book amount	<u>2,420</u>	<u>78</u>	<u>1,558</u>	<u>3,844</u>	<u>7,900</u>
Year ended December 31, 2017					
Opening net book amount	2,420	78	1,558	3,844	7,900
Additions	1,022	–	838	687	2,547
Disposals	–	(78)	–	–	(78)
Depreciation	(1,426)	–	(776)	(1,268)	(3,470)
Closing net book amount	<u>2,016</u>	<u>–</u>	<u>1,620</u>	<u>3,263</u>	<u>6,899</u>
At December 31, 2017					
Cost	6,186	–	5,466	7,960	19,612
Accumulated depreciation	(4,170)	–	(3,846)	(4,697)	(12,713)
Net book amount	<u>2,016</u>	<u>–</u>	<u>1,620</u>	<u>3,263</u>	<u>6,899</u>
Year ended December 31, 2018					
Opening net book amount	2,016	–	1,620	3,263	6,899
Additions	14,178	289	3,093	2,411	19,971
Acquisition of a subsidiary (Note 33)	–	–	107	–	107
Depreciation	(2,903)	–	(1,064)	(1,655)	(5,622)
Closing net book amount	<u>13,291</u>	<u>289</u>	<u>3,756</u>	<u>4,019</u>	<u>21,355</u>
At December 31, 2018					
Cost	20,364	289	8,666	10,371	39,690
Accumulated depreciation	(7,073)	–	(4,910)	(6,352)	(18,335)
Net book amount	<u>13,291</u>	<u>289</u>	<u>3,756</u>	<u>4,019</u>	<u>21,355</u>
Year ended December 31, 2019					
Opening net book amount	13,291	289	3,756	4,019	21,355
Additions	10,505	7,453	7,442	3,085	28,485
Disposals	(877)	–	(210)	(349)	(1,436)
Depreciation	(5,837)	(1,892)	(2,481)	(2,190)	(12,400)
Closing net book amount	<u>17,082</u>	<u>5,850</u>	<u>8,507</u>	<u>4,565</u>	<u>36,004</u>
At December 31, 2019					
Cost	29,471	7,742	15,898	13,107	66,218
Accumulated depreciation	(12,389)	(1,892)	(7,391)	(8,542)	(30,214)
Net book amount	<u>17,082</u>	<u>5,850</u>	<u>8,507</u>	<u>4,565</u>	<u>36,004</u>

As of December 31, 2017, property, plant and equipment with carrying amounts of RMB839,000, respectively were pledged against certain borrowings of the Group (Note 21).

Depreciation expenses have been charged in the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cost of inventories sold	380	154	797
Selling and marketing expenses	312	183	413
General and administrative expenses	2,778	5,285	11,190
Total	<u>3,470</u>	<u>5,622</u>	<u>12,400</u>

14 INVESTMENT PROPERTIES

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net book amount	129,000	148,500	155,200
Fair value changes	19,500	6,700	15,600
Closing net book amount	<u>148,500</u>	<u>155,200</u>	<u>170,800</u>

As of December 31, 2017, 2018 and 2019, the Group has no contractual obligations for repairs, maintenance or enhancements.

Certain investment properties with total carrying amount of RMB40,211,000, RMB41,890,000 and RMB170,800,000 as of December 31, 2017, 2018 and 2019, respectively, were pledged as collateral for the Group's borrowings (Note 21).

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments accounted for using the equity method

- (i) The amounts recognized in the consolidated statements of financial position as "Investments accounted for using the equity method" are as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Joint ventures	155,118	372,170	520,299
Associates	54,693	341,835	583,133
	<u>209,811</u>	<u>714,005</u>	<u>1,103,432</u>

Movement of investments in joint ventures:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At January 1	—	155,118	372,170
Additions	157,771	232,000	—
Share of results	(2,653)	(14,948)	148,129
At December 31	<u>155,118</u>	<u>372,170</u>	<u>520,299</u>

Movement of investments in associates:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At January 1	68,790	54,693	341,835
Additions	–	192,101	30,000
Share of results	(14,097)	95,041	211,298
At December 31	<u>54,693</u>	<u>341,835</u>	<u>583,133</u>

The amounts recognized in the consolidated statements of comprehensive income as “Share of results of joint ventures and associates” are as follows:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Joint venture	(2,653)	(14,948)	148,129
Associates	(14,097)	95,041	211,298
	<u>(16,750)</u>	<u>80,093</u>	<u>359,427</u>

The Group's joint ventures and associates are principally engaged in property development business. During the years ended December 31, 2017, 2018 and 2019, certain projects of the joint ventures and associates were under development, net losses were incurred and the Group recognized share of losses of the joint ventures and associates. As of December 31, 2017, 2018 and 2019, the Group has performed assessment on impairment of the investments in joint ventures and associates taking into account the pre-sales of the properties of the joint venture and associates, the current and future market condition for sales of properties and the budgeted development cost and expenses, no impairment on the investments in joint ventures and associates is considered necessary.

(b) Set out below are the joint ventures and associates of the Group as of December 31, 2017, 2018 and 2019. The place of incorporation or registration is also their principal place of business.

(i) Joint ventures:

Name of company*	Place and date of incorporation	Principal activities	Paid in capital (RMB'000)	Percentage of ownership interest attributable to the Group
海門錦嘉置業有限公司 Hai Men Jin Jia Property Co., Ltd. ("Hai Men Jin Jia")	PRC, March 14, 2017	Property development	50,000	30%
嘉興碧繡房地產開發有限公司 Jiaying Bixiu Real Estate Development Co., Ltd.	PRC, May 9, 2017	Property development	30,000	33.3%
海鹽金碧房地產開發有限公司 Haiyan Jinbi Real Estate Development Co., Ltd. ("Haiyan Jinbi")	PRC, July 21, 2017	Property development	125,000	33.3%

Name of company*	Place and date of incorporation	Principal activities	Paid in capital (RMB'000)	Percentage of ownership interest attributable to the Group
張家港保稅區耀輝房地產開發有限公司 Zhangjiagang Free Duty Zone Yaohui Real Estate Development Co., Ltd. (Note (a))	PRC, August 10, 2017	Property development	65,000	13.5%
南通卓蘇房地產開發有限公司 Nantong Zhuosu Real Estate Development Co., Ltd. (Note (a))	PRC, November 20, 2017	Property development	20,000	12.5%
宜興市嘉譽房地產開發有限公司 Yi Xing Jia Yu Real Estate Co., Ltd. (Note (a))	PRC, November 29, 2017	Property development	100,000	20%
常熟卓陽置業有限公司 Changshu Zhuo Yang Property Co., Ltd. (“Changshu Zhuo Yang”) (Note (b))	PRC, December 4, 2016	Property development	40,000	25%
南通富利騰房地產開發有限公司 Nan Tong Fu Li Teng Real Estate Co., Ltd. (Note (a))	PRC, December 7, 2017	Property development	30,000	20%
南通崇通置業有限公司 Nan Tong Chong Tong Property Co., Ltd.	PRC, December 14, 2017	Property development	20,000	33%
常州申邁實業投資有限公司 Changzhou Shen Mai Investment Co., Ltd.	PRC, December 19, 2017	Property development	22,400	41.25%
常州嘉宏采菱置業發展有限公司 Changzhou Jia Hong Real Estate Co., Ltd. (“Changzhou Jia Hong”) (Note (c))	PRC, December 22, 2017	Property development	45,710	20.21%
泰興市融和置業有限公司 Taixing Ronghe Property Co., Ltd.	PRC, July 24, 2017	Property development	20,000	33%
浙江港達置業有限公司 Zhejiang Gangda Property Co., Ltd.	PRC, March 16, 2017	Property development	104,082	49%
湖州港宏置業有限公司 Huzhou Ganghong Property Co., Ltd.	PRC, October 19, 2017	Property development	20,000	60%
常熟茂龍房地產開發有限公司 Chang Shu Mao Long Real State Co., Ltd.	PRC, July 31, 2018	Property development	200,000	50%
蘇州正璽房地產開發有限公司 Suzhou Zhengxi Real Estate Development Co., Ltd.	PRC, August 17, 2018	Property development	40,000	33%

* The English names of PRC companies referred to above in this note represents management's best efforts in translating the Chinese names of those companies as no English name have been registered or available.

Notes:

- (a) During the Track Record Period, each of these entities had five to eight shareholders, where each shareholder had less than 30% shareholding in these entities. Pursuant to the articles of association of these entities, the Group has appointed one director to the board of directors of these entities, which have five to nine directors in aggregate and require unanimous consent from all directors for decision making at board level, over the financial and operating policy decisions including but not limited to, make operational decisions and investment plans, review and approve annual budgets and reports, merger, split, dissolution, liquidation and change of corporate formality, loan and financing and provision of pledge or guarantee matters. The Group is considered to have joint control over these entities, and accounted for these entities as joint ventures.
- (b) During the Track Record Period, Changshu Zhuo Yang had three shareholders holding 50%, 25% and 25% equity interests, respectively. Pursuant to the articles of association of this entity, the Group has appointed one director to the entity's board of directors, which have three directors in aggregate and require unanimous consent from all directors for decision making at board level, over the financial and operating policy decisions including but not limited to, make operational decisions and investment plans, review and approve annual budgets and reports, merger, split, dissolution, liquidation and change of corporate formality, loan and financing and provision of pledge or guarantee matters. The Group is considered to have joint control over this entity, and accounted for this entity as joint ventures.
- (c) During the Track Record Period, Changzhou Jia Hong had three shareholders holding 20.2%, 20.2% and 59.6% equity interests, respectively. Pursuant to the articles of association of this entity, the Group has appointed one director to the entity's board of directors, which have three directors in aggregate and require unanimous consent from all directors for decision making at board level, over the financial and operating policy decisions including but not limited to, make operational decisions and investment plans, review and approve annual budgets and reports, merger, split, dissolution, liquidation and change of corporate formality, loan and financing and provision of pledge or guarantee matters. The Group is considered to have joint control over this entity, and accounted for this entity as joint ventures.

(ii) Associates:

Name of company*	Place and date of incorporation	Principal activities	Paid in capital (RMB'000)	Percentage of ownership interest attributable to the Group
常熟市虞山碧桂園房地產開發有限公司 Changshu Yushan Country Garden Real Estate Development Co., Ltd.	PRC, September 21, 2015	Property development	100,000	40%
南通市碧桂園新區置業有限公司 Nantong Country Garden New District Property Co., Ltd. ("Nantong Country Garden") (Note (a))	PRC, June 28, 2016	Property development	20,000	15%
張家港金碧房地產開發有限公司 Zhangjiagang Jinbi Real Estate Development Co., Ltd. ("Zhangjiagang Jinbi") (Note (b))	PRC, July 19, 2016	Property development	20,000	15%
海門中南錦冠置業有限公司 Haimen Zhongnan Jinguan Property Co., Ltd. ("Haimen Zhongnan Jinguan")	PRC, December 6, 2016	Property development	50,000	30%
張家港城南碧桂園房地產開發有限公司 Zhangjiagang South City Country Garden Real Estate Development Co., Ltd. ("Zhangjiagang South City")	PRC, December 26, 2016	Property development	20,000	20%
鹽城新碧房地產開發有限公司 Yancheng Xinbi Real Estate Development Co., Ltd. ("Yancheng Xinbi")	PRC, December 26, 2016	Property development	20,000	30%

Name of company*	Place and date of incorporation	Principal activities	Paid in capital (RMB'000)	Percentage of ownership interest attributable to the Group
鹽城市順碧房地產開發有限公司 Yancheng Shunbi Real Estate Development Co., Ltd. (“ Yancheng Shunbi ”)	PRC, February 9, 2017	Property development	25,000	20%
江陰市合誠房地產開發有限公司 Jiangyin Hecheng Real Estate Development Co., Ltd. (“ Jiangyin Hecheng ”) (Note (c))	PRC, June 30, 2017	Property development	66,667	15%
常熟市必達房地產開發有限公司 Changsu Bida Real Estate Development Co., Ltd.	PRC, October 20, 2017	Property development	40,000	25%
如皋市新碧房地產開發有限公司 Rugao Xinbi Real Estate Development Co., Ltd.	PRC, November 15, 2017	Property development	20,000	30%
常熟市金安瑞宸房地產開發有限公司 Changshu Jin'an Ruichen Real Estate Development Co., Ltd.	PRC, December 12, 2017	Property development	80,000	25%
常州牡丹君港置業有限公司 Changzhou Mudan Jungang Real Estate Co., Ltd.	PRC, January 19, 2018	Property development	540,000	24.5%
連雲港市港龍置業有限公司 Lianyungang Ganglong Property Co., Ltd.	PRC, February 7, 2018	Property development	20,000	20%
上海垠望置業有限公司 Shanghai Yinwang Property Co., Ltd.	PRC, July 3, 2018	Property development	30,000	30%
常州市凱澤置業有限公司 Changzhou Kaize Property Co., Ltd.	PRC, May 10, 2019	Property development	20,000	30%

* The English names of PRC companies referred to above in this note represents management's best efforts in translating the Chinese names of those companies as no English name have been registered or available.

Notes:

- (a) During the Track Record Period, Nantong Country Garden had three shareholders holding 51%, 34% and 15% equity interests, respectively. Pursuant to the articles of association of this entity, each shareholder is entitled to appoint three, one and one directors, respectively, which comprise the entity's board of directors with five directors in aggregate. The Group has power to participate in the financial and operating policy decisions of the entity pursuant to the articles of association.
- (b) During the Track Record Period, Zhangjiagang Jinbi had three shareholders holding 70%, 15% and 15% equity interests, respectively. Pursuant to the articles of association of this entity, each shareholder is entitled to appoint three, one and one directors, respectively, which comprise the entity's board of directors with five directors in aggregate. The Group has power to participate in the financial and operating policy decisions of the entity pursuant to the articles of association.
- (c) During the Track Record Period, Jiangyin Hecheng had five shareholders holding 25%, 20%, 20%, 15% and 15% equity interests, respectively. Pursuant to the articles of association of this entity, each shareholder is entitled to appoint one director, which comprise the entity's board of directors with five directors in aggregate. The Group has power to participate in the financial and operating policy decisions of the entity pursuant to the articles of association.

(c) Summarized financial information for associates and joint ventures

- (i) Set out below is the summarized financial information for Haimen Zhongnan Jinguan, which is a material associate to the Group.

Summarized statements of financial position

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	1,956	—	—
Current assets			
Cash and cash equivalents	57,963	4,103	1,340
Other current assets	1,206,213	1,184,648	521,878
	1,264,176	1,188,751	523,218
Total assets	<u>1,266,132</u>	<u>1,188,751</u>	<u>523,218</u>
Non-current liabilities	—	—	—
Current liabilities			
Other current liabilities	1,222,000	1,008,377	161,305
Total liabilities	<u>1,222,000</u>	<u>1,008,377</u>	<u>161,305</u>
Net assets	<u>44,132</u>	<u>180,374</u>	<u>361,913</u>

Set out below is the reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in Haimen Zhongnan Jinguan.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net assets	49,991	44,132	180,374
(Loss)/profit for the years	(5,859)	136,242	181,539
Other comprehensive income	—	—	—
Closing net assets	<u>44,132</u>	<u>180,374</u>	<u>361,913</u>
Proportion of the Group's ownership	30%	30%	30%
Carrying amount of the investment	<u>13,239</u>	<u>54,112</u>	<u>108,574</u>

Summarized statements of comprehensive income

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	—	606,622	769,380
Expenses	(7,813)	(346,557)	(531,437)
Income tax credit/(expenses)	1,954	(123,823)	(56,404)
Net (loss)/profit and total comprehensive (loss)/profit for the years	<u>(5,859)</u>	<u>136,242</u>	<u>181,539</u>

- (ii) Set out below is the summarized financial information for Zhangjiagang South City, which is a material associate to the Group.

Summarized statements of financial position

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	6,111	13,078	149
Current assets			
Cash and cash equivalents	480,266	394,685	451
Other current assets	2,367,915	2,233,218	982,218
	<u>2,848,181</u>	<u>2,627,903</u>	<u>982,669</u>
Total assets	<u>2,854,292</u>	<u>2,640,981</u>	<u>982,818</u>
Non-current liabilities	1,150,000	150,000	–
Current liabilities			
Other current liabilities	1,702,400	2,509,880	728,736
Total liabilities	<u>2,852,400</u>	<u>2,659,880</u>	<u>728,736</u>
Net assets	<u>1,892</u>	<u>(18,899)</u>	<u>254,082</u>

Set out below is the reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in Zhangjiagang South City.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net assets	–	1,892	(18,899)
Capital injection	20,000	–	–
(Loss)/profit for the years	(18,108)	(20,791)	272,979
Other comprehensive income	–	–	–
Closing net assets	<u>1,892</u>	<u>(18,899)</u>	<u>254,080</u>
Proportion of the Group's ownership	20%	20%	20%
Carrying amount of the investment	<u>379</u>	<u>–</u>	<u>50,816</u>

Summarized statements of comprehensive income

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	–	–	2,253,189
Expenses	(12,072)	(27,721)	(1,808,920)
Income tax expenses	<u>(6,036)</u>	<u>6,930</u>	<u>(171,290)</u>
Net (loss)/profit and total comprehensive (loss)/profit for the years	<u>(18,108)</u>	<u>(20,791)</u>	<u>272,979</u>

- (iii) Set out below is the summarized financial information for Yancheng Xinbi, which is a material associate to the Group.

Summarized statements of financial position

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	4,902	4,955	45
Current assets			
Cash and cash equivalents	167,712	84,432	20,356
Other current assets	803,095	980,937	537,906
	<u>970,807</u>	<u>1,065,369</u>	<u>558,262</u>
Total assets	<u>975,709</u>	<u>1,070,324</u>	<u>558,307</u>
Non-current liabilities	70,000	—	—
Current liabilities			
Other current liabilities	899,988	1,066,461	350,666
Total liabilities	<u>969,988</u>	<u>1,066,461</u>	<u>350,666</u>
Net assets	<u>5,721</u>	<u>3,863</u>	<u>207,641</u>

Set out below is the reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in Yancheng Xinbi.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net assets	—	5,721	3,863
Capital injection	20,000	—	—
(Loss)/profit for the years	(14,279)	(1,858)	203,778
Other comprehensive income	—	—	—
Closing net assets	<u>5,721</u>	<u>3,863</u>	<u>207,641</u>
Proportion of the Group's ownership	30%	30%	30%
Carrying amount of the investment	<u>1,716</u>	<u>1,159</u>	<u>62,292</u>

Summarized statements of comprehensive income

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	—	1,806	911,164
Expenses	(19,039)	(1,230)	(557,111)
Income tax credit/(expenses)	4,760	(2,434)	(150,275)
Net (loss)/profit and total comprehensive (loss)/profit for the years	<u>(14,279)</u>	<u>(1,858)</u>	<u>203,778</u>

- (iv) Set out below is the summarized financial information for Yancheng Shunbi, which is a material associate to the Group.

Summarized statements of financial position

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	1,150	30	36
Current assets			
Cash and cash equivalents	279,269	130,532	30,937
Other current assets	940,152	1,369,335	746,994
	<u>1,219,421</u>	<u>1,499,867</u>	<u>777,931</u>
Total assets	<u>1,220,571</u>	<u>1,499,897</u>	<u>777,967</u>
Non-current liabilities	—	—	—
Current liabilities			
Other current liabilities	1,223,648	1,440,832	571,368
Total liabilities	<u>1,223,648</u>	<u>1,440,832</u>	<u>571,368</u>
Net assets	<u>(3,077)</u>	<u>59,065</u>	<u>206,599</u>

Set out below is the reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in Yancheng Shunbi.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net assets	—	(3,077)	59,065
(Loss)/profit for the years	(3,077)	62,142	147,534
Other comprehensive income	—	—	—
Closing net assets	<u>(3,077)</u>	<u>59,065</u>	<u>206,599</u>
Proportion of the Group's ownership	49%	49%	20%
Carrying amount of the investment	<u>—</u>	<u>28,941</u>	<u>58,448</u>

Summarized statements of comprehensive income

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	—	702,101	1,008,517
Expenses	(4,103)	(570,347)	(648,750)
Income tax credit/(expenses)	1,026	(69,612)	(212,233)
Net (loss)/profit and total comprehensive (loss)/profit for the years	<u>(3,077)</u>	<u>62,142</u>	<u>147,534</u>

- (v) Set out below is the summarized financial information for Hai Men Jin Jia, which is a material joint venture to the Group.

Summarized statements of financial position

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	519	3,070	120
Current assets			
Cash and cash equivalents	262,572	89,058	34,328
Other current assets	1,425,596	1,998,337	1,035,097
	<u>1,688,168</u>	<u>2,087,395</u>	<u>1,069,425</u>
Total assets	<u>1,688,687</u>	<u>2,090,465</u>	<u>1,069,545</u>
Non-current liabilities	400,000	—	—
Current liabilities			
Other current liabilities	1,239,270	2,049,263	716,663
Total liabilities	<u>1,639,270</u>	<u>2,049,263</u>	<u>716,663</u>
Net assets	<u>49,417</u>	<u>41,202</u>	<u>352,882</u>

Set out below is the reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in Hai Men Jin Jia.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net assets	—	49,417	41,202
Capital injection	50,000	—	—
(Loss)/profit for the years	(583)	(8,215)	311,680
Other comprehensive income	—	—	—
Closing net assets	<u>49,417</u>	<u>41,202</u>	<u>352,882</u>
Proportion of the Group's ownership	30%	30%	30%
Carrying amount of the investment	<u>14,825</u>	<u>12,361</u>	<u>105,865</u>

Summarized statements of comprehensive income

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	—	—	1,857,970
Expenses	(777)	(10,953)	(1,429,665)
Income tax credit/(expenses)	194	2,738	(116,625)
Net (loss)/profit and total comprehensive (loss)/profit for the years	<u>(583)</u>	<u>(8,215)</u>	<u>311,680</u>

- (vi) Set out below is the summarized financial information for Haiyan Jinbi, which is a material joint venture to the Group.

Summarized statements of financial position

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	932	2,083	221
Current assets			
Cash and cash equivalents	282	330,262	191,379
Other current assets	1,564,544	1,787,496	157,799
	<u>1,564,826</u>	<u>2,117,758</u>	<u>349,178</u>
Total assets	<u>1,565,758</u>	<u>2,119,841</u>	<u>349,399</u>
Non-current liabilities	—	—	—
Current liabilities			
Other current liabilities	1,568,553	2,125,714	213,825
Total liabilities	<u>1,568,553</u>	<u>2,125,714</u>	<u>213,825</u>
Net assets	<u>(2,795)</u>	<u>(5,873)</u>	<u>135,574</u>

Set out below is the reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in Haiyan Jinbi.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening net assets	—	(2,795)	(5,873)
Capital injection	—	—	—
(Loss)/profit for the years	(2,795)	(3,078)	141,447
Other comprehensive income	—	—	—
Closing net assets	<u>(2,795)</u>	<u>(5,873)</u>	<u>135,574</u>
Proportion of the Group's ownership	33%	33%	33%
Carrying amount of the investment	<u>—</u>	<u>—</u>	<u>41,948</u>

Summarized statements of comprehensive income

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	—	—	1,562,718
Expenses	(3,727)	(4,104)	(1,381,629)
Income tax credit/(expenses)	932	1,026	(39,642)
Net (loss)/profit and total comprehensive (loss)/profit for the years	<u>(2,795)</u>	<u>(3,078)</u>	<u>141,447</u>

(vii) As of December 31, 2017, 2018 and 2019, certain borrowings of joint ventures and associates amounted to RMB230,000,000, RMB1,239,757,000 and RMB905,447,000, respectively were guaranteed by the Group (Note 27). There were no material commitments to joint venture except for the commitment to provide funding for joint venture's capital commitment amounted to RMB764,547,000 as of December 31, 2017.

(viii) Set out below are the summarized financial information of joint ventures, which are individually immaterial to the Group.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
(Loss)/profit for the years	(7,213)	(57,051)	7,947
Other comprehensive income	—	—	—
Total comprehensive (loss)/income for the years	<u>(7,213)</u>	<u>(57,051)</u>	<u>7,947</u>

(ix) Set out below are the summarized financial information of associates, which are individually immaterial to the Group.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
(Loss)/profit for the years	(49,221)	54,766	11,600
Other comprehensive income	—	—	—
Total comprehensive (loss)/income for the years	<u>(49,221)</u>	<u>54,766</u>	<u>11,600</u>

16 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

(a) Deferred income tax assets

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
– Tax losses	23,752	17,881	119,540
– Deferred land appreciation tax	<u>6,227</u>	<u>5,200</u>	<u>36,955</u>
Total deferred income tax assets	<u>29,979</u>	<u>23,081</u>	<u>156,495</u>
Set-off of deferred tax liabilities pursuant to set-off provisions.....	<u>(3,203)</u>	<u>(3,723)</u>	<u>(5,303)</u>
Net deferred income tax assets	<u>26,776</u>	<u>19,358</u>	<u>151,192</u>

Movements of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Tax losses	Deferred land appreciation tax	Total
	RMB'000	RMB'000	RMB'000
Movements			
At January 1, 2017	13,471	1,951	15,422
Credited to the consolidated statements of comprehensive income (Note 11)	10,281	4,276	14,557
At December 31, 2017	<u>23,752</u>	<u>6,227</u>	<u>29,979</u>
At January 1, 2018	23,752	6,227	29,979
Charged to the consolidated statements of comprehensive income (Note 11)	(5,871)	(1,027)	(6,898)
At December 31, 2018	<u>17,881</u>	<u>5,200</u>	<u>23,081</u>
At January 1, 2019	17,881	5,200	23,081
Credited to the consolidated statements of comprehensive income (Note 11)	101,659	31,755	133,414
At December 31, 2019	<u>119,540</u>	<u>36,955</u>	<u>156,495</u>

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As of December 31, 2017, 2018 and 2019, the Group did not recognize deferred income tax assets of RMB8,000, RMB604,000 and RMB7,446,000 in respect of tax losses amounting to RMB32,000, RMB2,417,000 and RMB29,785,000, respectively, that can be carried forward against future taxable income and the expiration period of which is shown as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 1 year	—	—	—
Within 2 years	—	—	22
Within 3 years	—	22	10
Within 4 years	22	10	2,385
Within 5 years	10	2,385	27,368
	<u>32</u>	<u>2,417</u>	<u>29,785</u>

(b) Deferred income tax liabilities

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
– Withholding tax on dividends for undistributed profits	(11,664)	(28,853)	(70,829)
– Fair value gains on investment properties	(18,106)	(19,781)	(23,681)
– Deferred land appreciation tax	(12,508)	(15,880)	(5,492)
Total deferred income tax liabilities	<u>(42,278)</u>	<u>(64,514)</u>	<u>(100,002)</u>
Set-off of deferred income tax assets pursuant to set-off provisions	3,203	3,723	5,303
Net deferred income tax liabilities	<u>(39,075)</u>	<u>(60,791)</u>	<u>(94,699)</u>

Movements of deferred income tax liabilities without taking into consideration the offsetting balances within the same jurisdiction is as follows:

	Withholding tax on dividends for undistributed profits	Fair value gains on investment properties	Deferred land appreciation tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Movements				
At January 1, 2017	(3,392)	(13,231)	(8,362)	(24,985)
Charged to the consolidated statements of comprehensive income (Note 11)	(8,272)	(4,875)	(4,146)	(17,293)
At December 31, 2017	<u>(11,664)</u>	<u>(18,106)</u>	<u>(12,508)</u>	<u>(42,278)</u>
At January 1, 2018	(11,664)	(18,106)	(12,508)	(42,278)
Charged to the consolidated statements of comprehensive income (Note 11)	(17,189)	(1,675)	(3,372)	(22,236)
At December 31, 2018	<u>(28,853)</u>	<u>(19,781)</u>	<u>(15,880)</u>	<u>(64,514)</u>
	Withholding tax on dividends for undistributed profits	Fair value gains on investment properties	Deferred land appreciation tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	(28,853)	(19,781)	(15,880)	(64,514)
(Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(41,976)	(3,900)	10,388	(35,488)
At December 31, 2019	<u>(70,829)</u>	<u>(23,681)</u>	<u>(5,492)</u>	<u>(100,002)</u>

The analysis of deferred income tax accounts are as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Deferred income tax assets:			
Recoverable after 12 months	26,776	19,358	151,192
Deferred income tax liabilities:			
Recoverable after 12 months	(39,075)	(60,791)	(94,699)

17 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Properties under development	2,170,671	5,433,641	16,052,548
Completed properties held for sale	63,722	40,725	732,904
	<u>2,234,393</u>	<u>5,474,366</u>	<u>16,785,452</u>
Properties under development comprise:			
– Land use rights	795,437	3,814,699	12,453,111
– Construction costs	1,370,780	1,563,240	3,250,557
– Interests capitalized	4,454	55,702	348,880
	<u>2,170,671</u>	<u>5,433,641</u>	<u>16,052,548</u>

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Expected to be completed and available for sale			
– within 1 year	1,008,103	1,054,744	1,517,628
– more than 1 year	1,162,568	4,378,897	14,534,920
	<u>2,170,671</u>	<u>5,433,641</u>	<u>16,052,548</u>

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

The capitalization rates of borrowings are 5.2%, 10.9% and 8.2% for the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2017, 2018 and 2019, the Group's pledged properties held for sale and properties under development are set out as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Carrying amounts of completed properties held for sale and properties under development:			
– Pledged as collateral for Group's borrowings	808,118	2,127,416	6,121,919

18 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables from third parties (Note (a))	128	528	25,970
Other receivables			
– Amount due from the other partners of joint ventures ..	601,507	6,600	–
– Deposits for property development projects	118,797	456,089	303,990
– Receivables from banks and bank card services providers	4,441	2,026	41,341
– Cash advances to third parties (Note (c))	304,550	214,545	9,500
– Interest receivables	12,646	31,213	–
– Others	8,098	23,269	21,583
	<u>1,050,039</u>	<u>733,742</u>	<u>376,414</u>
Prepayments			
– Prepayments for property development projects	45,378	53,920	60,139
– Prepayments for acquisition of land use rights (Note (b))	153,500	130,000	571,824
– Prepaid value added tax, business taxes and other taxes	91,213	157,272	186,992
– Contract acquisition costs (Note (d))	10,027	9,444	16,606
– Prepaid listing expenses	–	3,497	6,695
– Others	3,452	8,213	8,302
	<u>303,570</u>	<u>362,346</u>	<u>850,558</u>
Trade and other receivables and prepayments	<u>1,353,737</u>	<u>1,096,616</u>	<u>1,252,942</u>

Notes:

(a) Trade receivables

Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The aging analysis of trade receivables at the consolidated balance sheet dates based on invoice date is as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
0-30 days	–	–	22,793
31-60 days	–	–	3
61-90 days	–	–	866
Over 91 days	128	528	2,308
	<u>128</u>	<u>528</u>	<u>25,970</u>

As of December 31, 2017, 2018 and 2019, trade receivables of RMB128,000, RMB528,000 and RMB25,970,000 were overdue but not impaired and fully relate to certain customers that have good settlement record with the Group.

For these past due trade receivables, the Group has assessed the expected credit losses by considering historical loss experiences, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

- (b) As of December 31, 2017, 2018 and 2019, included in prepayments amounted to RMB153,500,000, RMB130,000,000 and RMB571,824,000, respectively were initial development prepayment made to the co-operative parties to the government agency in respect of several land use rights located in the PRC. Based on the agreements signed between the project companies and the government agency, the above prepayment will be offset with the land acquisition cost if the project companies obtain the right to acquire the land use right.
- (c) Cash advances to third parties represents the loan advance to property developers in the PRC for funding of the property development projects. As of December 31, 2017, 2018 and 2019, cash advances with third parties are interest free, except for amounts of RMB303,700,000, RMB213,045,000 as December 31, 2017 and 2018, respectively, which bears interest at 9.99% per annum. All cash advances with third parties are unsecured, repayable on demand. The balances have been subsequently settled.
- (d) Management considers the contract acquisition costs, which represented sales commission paid for obtaining property sale contracts, to be recoverable. The Group has deferred the amounts paid and will charge them to the consolidated statements of comprehensive income when the related revenue is recognized. For the years ended December 31, 2017, 2018 and 2019, the amounts charged to the consolidated statements of comprehensive income were RMB966,000, RMB6,200,000, RMB3,435,000, respectively, and there were no impairment loss in relation to the remaining balances.

The carrying amounts of the trade and other receivables and prepayments approximate their fair values and are denominated in RMB.

The maximum exposure to credit risk as of December 31, 2017, 2018 and 2019 was the carrying value of the receivables. The Group did not hold any collateral as security.

19 RESTRICTED CASH, PLEDGED TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Restricted cash (Note (a))	30,264	219,233	1,414,744
Pledged time deposits (Note 20 (b))	–	–	45,920
Cash and cash equivalents	166,204	622,753	1,052,217
	<u>196,468</u>	<u>841,986</u>	<u>2,512,881</u>

Note:

- (a) As of December 31, 2017, 2018 and 2019, restricted cash amounted to RMB2,363,000, RMB627,000 and RMB265,193,000, respectively, were deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. As of December 31, 2017, 2018 and 2019, restricted cash amounted to RMB27,901,000, RMB218,606,000 and RMB1,149,551,000, respectively, were subject to restriction of use for construction work.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by PRC government. As of December 31, 2017, 2018 and 2019 all restricted cash, pledged time deposits and cash and cash equivalents were held in the PRC.

The above balances as of December 31, 2017, 2018 and 2019 approximate their fair values and are denominated in the following currencies:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
RMB	196,438	841,956	2,512,678
HKD	1	1	174
USD	29	29	29
	<u>196,468</u>	<u>841,986</u>	<u>2,512,881</u>

20 TRADE PAYABLES, BILLS PAYABLES AND OTHER PAYABLES

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade and bills payables			
Trade payables (Note (a))	944,063	1,105,141	1,978,499
Bills payables (Note (b))	—	—	77,527
	<u>944,063</u>	<u>1,105,141</u>	<u>2,056,026</u>
Other payables			
– Other taxes payable	85,745	118,737	77,610
– Payroll payable	6,228	23,023	63,373
– Amounts due to third parties	80,000	228,507	139,812
– Deposits received from potential property purchasers	233	7,945	55,237
– Deposits from contractors and suppliers	10,901	16,596	52,428
– Listing expenses	—	6,288	4,869
– Interest payable	—	921	5,114
– Others	11,253	16,147	8,616
	<u>194,360</u>	<u>418,164</u>	<u>407,059</u>
Trade payables, bills payables and other payables	<u>1,138,423</u>	<u>1,523,305</u>	<u>2,463,085</u>

(a) The aging analysis of the trade payables of the Group based on invoice date is as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
0 – 30 days	855,841	997,146	1,780,785
31 – 60 days	36,636	39,624	61,506
61 – 90 days	2,596	1,192	11,690
Over 91 days	48,990	67,179	124,518
	<u>944,063</u>	<u>1,105,141</u>	<u>1,978,499</u>

(b) An aging analysis of the bills payables of the Group is as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
0 – 30 days	—	—	21,400
31 – 60 days	—	—	19,100
61 – 90 days	—	—	4,400
Over 91 days	—	—	32,627
	—	—	<u>77,527</u>
	—	—	—

As of December 31, 2019, the Group's bills payables of RMB77,527,000 were denominated in RMB and secured by time deposits of RMB45,920,000 (Note 19).

21 BORROWINGS

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current			
Bank borrowings – secured and guaranteed	135,300	386,400	1,076,099
Other borrowing – secured	–	165,400	633,000
	<u>135,300</u>	<u>551,800</u>	<u>1,709,099</u>
Current			
Bank borrowings – secured and guaranteed	181,700	64,300	764,200
Other borrowing – secured	523	240,000	380,000
	<u>182,223</u>	<u>304,300</u>	<u>1,144,200</u>
Total borrowings	<u>317,523</u>	<u>856,100</u>	<u>2,853,299</u>

As of December 31, 2017, 2018 and 2019, all of the Group's borrowings are denominated in RMB.

All bank and other borrowings of the Group as of December 31, 2017, 2018 and 2019 were secured by certain property, plant and equipment, equity interests of group companies, properties under development, completed properties held for sales and investment properties with total carrying values of RMB921,262,000, RMB2,763,957,000 and RMB6,554,801,000 respectively.

In addition to pledge of assets, certain bank and other borrowings amounted to RMB317,523,000, RMB450,700,000 and RMB2,095,149,000 as of December 31, 2017, 2018 and 2019, respectively, required guaranteed by subsidiaries of the Group, Mr. Lui Jin Ling, Mr. Lui Wing Wai and their spouses (Note 30).

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognize its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the consolidated financial statements.

- (a) The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Variable rate borrowings	120,000	153,000	2,133,199
Other borrowings – repricing date:			
6 months or less	–	240,000	280,000
6–12 months	–	–	90,700
1–2 years	523	443,800	333,000
2–5 years	175,000	–	16,400
Over 5 years	22,000	19,300	–
Total	<u>317,523</u>	<u>856,100</u>	<u>2,853,299</u>

- (b) The weighted average effective interest rates as of December 31, 2017, 2018 and 2019 were as follows:

	As of December 31,		
	2017	2018	2019
Bank borrowings	6.23%	7.50%	7.67%
Other borrowings	10.99%	11.20%	10.83%
Weighted average effective interest rates	<u>6.26%</u>	<u>8.01%</u>	<u>8.82%</u>

- (c) The repayment terms of the borrowings are as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 1 year	182,223	304,300	1,144,200
Between 1 and 2 years	46,300	538,400	1,525,799
Between 2 and 5 years	82,000	9,800	183,300
Over 5 years	7,000	3,600	—
	<u>317,523</u>	<u>856,100</u>	<u>2,853,299</u>

- (d) The carrying amounts of the borrowings approximate their fair values as of December 31, 2017, 2018 and 2019 as either the impact of discounting of borrowings with fixed interest rates was not significant, or the borrowings bear interests at floating rates.
- (e) As of December 31, 2017, 2018 and 2019, the Group did not have undrawn borrowing facilities.
- (f) The Group's borrowings did not have material financial covenants except for the followings:

A subsidiary of the Group had obtained a bank borrowing of RMB80,000,000 in April 2014. The borrowing was fully repaid during the year ended December 31, 2017. The subsidiary was required to comply with the following financial covenants:

- (i) Debt to asset ratio must not exceed 75%; and
- (ii) Current ratio must not be less than 1.

A subsidiary of the Group had obtained a bank borrowing of RMB125,000,000 in February 2017. As of December 31, 2017 and 2018, the carrying amount of the borrowing amounted to RMB120,000,000 and RMB25,000,000, respectively. Such borrowing was fully repaid during the December 31, 2019. The subsidiary was required to comply with a covenant where its debt to asset ratio must not exceed 80%.

A subsidiary of the Group had obtained a bank borrowing of RMB100,000,000 in August 2019. As of December 31, 2019, the carrying amount of the borrowing amounted to RMB100,000,000. The subsidiary was required to comply with a covenant where its debt to asset ratio must not exceed 90%.

A subsidiary of the Group had obtained a bank borrowing of RMB235,000,000 in September 2019. As of December 31, 2019, the carrying amount of the borrowing amounted to RMB235,000,000. The subsidiary was required to comply with a covenant where its debt to asset ratio must not exceed 80%.

A subsidiary of the Group had obtained a bank borrowing of RMB50,000,000 in December 2019. As of December 31, 2019, the carrying amount of the borrowing amounted to RMB50,000,000. The subsidiary was required to comply with a covenant where its debt to asset ratio must not exceed 80%.

The Group was in compliance of these covenants during the Track Record Period.

22 SHARE CAPITAL AND RESERVES

Share capital

The Company was incorporated on October 8, 2018 with an authorized share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. On November 29, 2018, as part of the Reorganization, the Company issued 1,000 shares as the consideration for acquisition of the subsidiaries now comprising the Group (Note 1.2).

	<u>Number of shares</u>	<u>Share capital</u> HK\$
Authorized:		
At October 8, 2018 (date of incorporation), December 31, 2018 and December 31, 2019	<u>38,000,000</u>	<u>380,000</u>
	<u>Number of shares</u>	<u>Share capital</u> RMB
Issued:		
At October 8, 2018 (date of incorporation), December 31, 2018 and December 31, 2019	<u>1,000</u>	<u>9</u>

Statutory reserve

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiary is required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiary, the subsidiary will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

During the years ended December 31, 2017, 2018 and 2019 retained earnings amounted approximately RMB15,392,000, RMB43,302,000 and RMB69,974,000 had been transferred to the statutory reserve, respectively.

Retained earnings

Retained earnings represent retained earnings of the companies comprising the Group. The movement in retained earnings during the Track Record Period mainly comprise profit for the years, dividends paid and appropriation to statutory reserve.

Other reserves

Other reserves mainly represented the reserves derived from acquisition of non-controlling interests, the share premium and the accumulated capital contribution from the then equity holders of the group companies in excess of the consideration given in relation to the Reorganization.

Reserve movement of the Company

	<u>Other reserves</u>	<u>Accumulated loss</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At October 8, 2018 (Date of incorporation)	—	—	—
Loss for the period	—	(10,718)	(10,718)
Deemed contribution (Note)	656,864	—	656,864
At December 31, 2018	<u>656,864</u>	<u>(10,718)</u>	<u>646,146</u>
At January 1, 2019	656,864	(10,718)	646,146
Loss for the year	—	(10,435)	(10,435)
At December 31, 2019	<u>656,864</u>	<u>(21,153)</u>	<u>635,711</u>

Note: Deemed contribution represented mainly the excess of the aggregate net asset values of the Listing Business over the par value of the Company's shares issued in exchange pursuant to the Reorganization.

23 EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2017, 2018 and 2019.

	<u>Year ended December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Profit attributable to owners of the Company during the years (RMB'000)	31,356	354,831	668,041
Weighted average number of ordinary shares in issue ...	1,000	1,000	1,000
Basic earnings per share (RMB)	<u>31,356</u>	<u>354,831</u>	<u>668,041</u>

In determining the weighted average number of shares in issue during the years ended December 31, 2017, 2018 and 2019, 1,000 shares issued upon incorporation of the Company as detailed in Note 22 were deemed to have been issued on January 1, 2017 as if the Company had been incorporated by then.

(b) Diluted

The Company did not have any potential dilutive shares outstanding throughout the Track Record Period. Accordingly, diluted earnings per share is the same as the basic earnings per share.

24 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial assets at amortized cost			
<i>Assets included in the consolidated statements of financial position</i>			
Trade and other receivables (excluding prepayments) ...	1,050,167	734,270	402,384
Amounts due from associates	268,550	319,636	124,709
Amounts due from joint ventures	759,806	569,664	350,268
Amounts due from a Controlling Shareholder	3	500	–
Amounts due from non-controlling interests.....	6,600	102,043	198,443
Restricted cash	30,264	219,233	1,414,744
Pledged time deposits	–	–	45,920
Cash and cash equivalents	166,204	622,753	1,052,217
	<u>2,281,594</u>	<u>2,568,099</u>	<u>3,588,685</u>

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial liabilities at amortized cost			
<i>Liabilities included in the consolidated statements of financial position</i>			
Borrowings	317,523	856,100	2,853,299
Trade payables, bills payables and other payables, excluding payroll payable and other taxes payable	1,046,450	1,381,545	2,322,102
Amounts due to associates	592,355	822,213	1,497,735
Amounts due to joint ventures	212,536	509,177	869,944
Amounts due to Controlling Shareholders	65,150	9,981	23,539
Amounts due to related parties	21,824	11,119	–
Amounts due to non-controlling interests	–	1,221,665	4,682,599
Lease liabilities	951	8,815	11,970
	<u>2,256,789</u>	<u>4,820,615</u>	<u>12,261,188</u>

The Company

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial liabilities at amortized cost			
Other payables	–	6,288	4,883
Amount due to subsidiaries	–	859	3,496
Amount due to a Controlling Shareholder	–	7,068	19,470
	–	<u>14,215</u>	<u>27,849</u>

25 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

- (a) Reconciliation of profit before income tax to net cash generated from/(used in) operations is set out as below:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Profit before income tax	72,683	480,951	763,888
Adjustments for:			
– Depreciation of property, plant and equipment and right-of-use assets (Note 13)	3,470	5,622	12,400
– Gains on disposals of property, plant and equipment (Note 13)	(75)	(92)	(323)
– Share of results of associates and joint ventures (Note 15)	16,750	(80,093)	(359,427)
– Fair value gains on investment properties (Note 14) ...	(19,500)	(6,700)	(15,600)
– Interest income from associates, joint ventures and other third parties	(26,238)	(51,199)	(23,382)
– Finance income	(1,487)	(2,542)	(8,607)
– Finance costs	5,804	37,174	78,623
Operating profit before working capital change	51,407	383,121	447,572
– Properties under development and completed properties held for sale	(909,311)	(2,171,641)	(11,203,106)
– Trade and other receivables and prepayments	(860,335)	209,961	(341,322)
– Contract liabilities	1,311,139	1,127,141	4,762,389
– Trade payables, bills payables and other payables	522,135	172,993	1,028,475
– Pledged time deposits	–	–	(45,920)
– Changes in restricted cash	3,168	(188,969)	(1,195,511)
Net cash generated from/(used in) operations	<u>118,203</u>	<u>(467,394)</u>	<u>(6,547,423)</u>

- (b) Reconciliation of proceeds from disposals of property, plant and equipment

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Net book amount	78	–	559
Net gains on disposals of property, plant and equipment	<u>75</u>	<u>92</u>	<u>323</u>
Proceeds from disposals of property, plant and equipment	<u>153</u>	<u>92</u>	<u>882</u>

(c) The reconciliation of assets and liabilities arising from financing activities is as follows:

	Lease liabilities	Amounts due to associates	Amounts due to related parties	Amounts due to Controlling Shareholders	Amounts due to joint ventures	Amounts due to non-controlling interest	Amounts due to third parties	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2017	1,923	89,000	8,692	73,662	-	-	5,000	50,423	228,700
Non-cash movement	1,144	-	-	-	-	-	-	-	1,144
Cash inflows	-	900,261	5,389	160,570	530,694	-	80,000	305,000	1,981,914
Cash outflows	(2,116)	(396,906)	(2,635)	(144,750)	(318,158)	-	(5,000)	(37,900)	(907,465)
Other changes (Note (e))	-	-	10,378	(24,332)	-	-	-	-	(13,954)
As of December 31, 2017	951	592,355	21,824	65,150	212,536	-	80,000	317,523	1,290,339
As of January 1, 2018	951	592,355	21,824	65,150	212,536	-	80,000	317,523	1,290,339
Non-cash movement (Note (d))	14,334	-	-	-	-	-	572,306	240,000	826,640
Cash inflows	-	522,652	33,056	116,781	894,688	2,397,679	-	480,800	4,445,656
Cash outflows	(6,470)	(292,794)	(34,193)	(122,920)	(598,047)	(1,176,014)	(423,799)	(182,223)	(2,836,460)
Other changes (Note (e))	-	-	(9,568)	(49,030)	-	-	-	-	(58,598)
As of December 31, 2018	8,815	822,213	11,119	9,981	509,177	1,221,665	228,507	856,100	3,667,577
As of January 1, 2019	8,815	822,213	11,119	9,981	509,177	1,221,665	228,507	856,100	3,667,577
Non-cash movement	10,463	-	-	-	-	-	-	-	10,463
Cash inflows	-	837,442	79,079	353,442	830,947	7,771,199	14,500	2,831,549	12,718,158
Cash outflows	(7,308)	(161,920)	(90,198)	(339,884)	(470,180)	(4,318,482)	(94,978)	(834,350)	(6,317,300)
Other changes (Note (e))	-	-	-	-	-	8,217	(8,217)	-	-
As of December 31, 2019	11,970	1,497,735	-	23,539	869,944	4,682,599	139,812	2,853,299	10,078,898

(d) Non-cash financing activities

During the year ended December 31, 2018, the non-cash movement of borrowings amounted to RMB240,000,000 and amounts due to third parties amounted to RMB572,306,000 were resulted from the acquisition of a subsidiary, as detailed in Note 33.

(e) Other changes

Other changes include items which are presented as operating cash flows and investing cash flows in the consolidated statements of cash flows.

26 TRANSACTION WITH NON-CONTROLLING INTERESTS

During the year ended December 31, 2018, the Group acquired additional equity interest of 2.5% in Yancheng Ganglong for a consideration of RMB7,707,000 in cash, the Group recognized a decrease in non-controlling interests and a decrease in equity attributable to owners of the Company. The difference between the carrying amounts of non-controlling interest acquired and consideration paid are set out below.

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total carrying amount of non-controlling interests acquired	-	2,095	-
Less: total consideration paid and payable to non-controlling interests	-	<u>(7,707)</u>	-
Total difference recognized within equity	-	<u>(5,612)</u>	-

27 FINANCIAL GUARANTEES

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	885,672	1,615,674	3,294,002
Guarantee in respect of borrowings of joint ventures and associates (Note (b) and Note 30)	<u>230,000</u>	<u>1,239,757</u>	<u>905,447</u>
	<u>1,115,672</u>	<u>2,855,431</u>	<u>4,199,449</u>

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligation of such purchasers for repayments. Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by purchasers of properties. The directors consider that the likelihood of default in payments by purchasers is minimal as the Group is entitled to retain the ownership of the properties, the valuation of which is significantly higher than the guaranteed amounts. Therefore, the financial guarantees measured at fair value is immaterial and no liabilities was recognized.
- (b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the joint ventures and associates at the respective balance sheet dates. The directors consider that the likelihood of default in payments by the joint ventures and associates is minimal and therefore the financial guarantee measured at fair value is immaterial and no liabilities was recognized.

28 COMMITMENTS

(a) Commitments for capital and property development expenditures

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	<u>1,311,445</u>	<u>6,585,288</u>	<u>13,457,571</u>

Note: The amount represented capital commitment for construction contracts and agreed proposed development contracts determined based on current estimated budgets.

(b) Operating leases rental receivables – a group company as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within one year	2,045	2,160	4,340
Later than one year but no later than five years	<u>2,851</u>	<u>1,680</u>	<u>7,591</u>
	<u>4,896</u>	<u>3,840</u>	<u>11,931</u>

29 LEASE LIABILITIES

(a) Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Right-of-use assets*			
Properties	<u>2,016</u>	<u>13,291</u>	<u>17,082</u>

* The balances were included in Note 13 "Property, plant and equipment" to the consolidated statements of financial position.

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Lease liabilities			
Non-current	279	3,502	3,782
Current	<u>672</u>	<u>5,313</u>	<u>8,188</u>
	<u>951</u>	<u>8,815</u>	<u>11,970</u>

Additions to the lease liabilities amounted to approximately RMB1,022,000, RMB14,178,000 and RMB10,505,000 during the years ended December 31, 2017, 2018 and 2019 respectively.

(b) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income shows the following amounts relating to leases:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets			
Properties	<u>1,426</u>	<u>2,903</u>	<u>5,837</u>
Finance costs on leases	<u>123</u>	<u>156</u>	<u>813</u>

As of December 31, 2017, 2018 and 2019, the carrying amount of the Group's lease liabilities was denominated in RMB and approximate to its fair value.

(c) Amounts recognized in the consolidated statements of cash flows

During the years ended December 31, 2017, 2018 and 2019, the total cash outflows for leases were analyzed as below:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash flows from financing activities			
Payments of interest element of lease liabilities	123	156	813
Payment of principal element of lease liabilities	<u>1,993</u>	<u>6,314</u>	<u>6,495</u>
	<u>2,116</u>	<u>6,470</u>	<u>7,308</u>

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

The ultimate holding companies of the Company are Huaxing, Hualian and Hualong. The ultimate controlling shareholders of the Company are Mr. Lui Wing Wai, Mr. Lui Man Wai, Mr. Lui Wing Nam, Mr. Lui Chi Chung Jimmy, Mr. Lui Jin Ling and Mr. Lui Wing Mau.

The directors are of the view that the following related parties that had material transactions or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Group
呂進亮 Mr. Lui Jin Ling	Controlling shareholder and Executive Director of the Company
呂永懷 Mr. Lui Wing Wai	Controlling shareholder and Executive Director of the Company
呂文偉 Mr. Lui Man Wai (Note (a)) ...	Controlling shareholder and Executive Director of the Company
呂志聰 Mr. Lui Chi Chung, Jimmy	Controlling shareholder and Executive Director of the Company
呂永南 Mr. Lui Wing Nam	Controlling shareholder and Non-executive Director of the Company
呂永茂 Mr. Lui Wing Mau	Controlling shareholder and Non-executive Director of the Company
潘瑞希 Miss Pan Ruixi	Spouse of a Controlling Shareholder
呂進益 Mr. Lui Jin Yi	Close family member of the Controlling Shareholders
呂翠燕 Miss Lui Cui Yan	Close family member of the Controlling Shareholders
呂志平 Mr. Lui Zhi Ping	Close family member of the Controlling Shareholders
朱家雯 Miss Zhu Jia Wen	Spouse of close family member of the Controlling Shareholders
洪華婷 Miss Hung Hua Ting	Spouse of close family member of the Controlling Shareholders
謝劍青 Mr. Xie Jian Qing	Senior management of the Group
海門市鴻鵬貿易有限公司 Hai Men Hong Peng Trading Company Limited (“ Hai Men Hong Peng ”) ...	Company controlled by the Controlling Shareholders

Note (a): Mr. Lui Man Wai passed away on January 24, 2020.

Other than those listed above, associates and joint ventures of the Group are also considered as related parties.

Apart from the balances and transactions disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with its related parties:

(b) Transactions with related parties

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Lease payments to Mr. Xie Jian Qing in respect of the leased office premises	<u>(1,363)</u>	<u>(1,009)</u>	<u>(791)</u>
Costs of receiving of construction and decoration services to Hai Men Hong Peng	<u>(10,408)</u>	<u>(870)</u>	<u>(12,508)</u>
Interest expense to associates	<u>–</u>	<u>–</u>	<u>(10,665)</u>
Interest expense to a joint venture	<u>–</u>	<u>(5,194)</u>	<u>(9,456)</u>
Interest income from joint ventures	<u>13,179</u>	<u>11,671</u>	<u>–</u>
Interest income from associates	<u>413</u>	<u>6,103</u>	<u>11,974</u>
Sales of properties to Mr. Lui Chi Chung Jimmy and his spouse	<u>1,036</u>	<u>–</u>	<u>2,681</u>
Income for rendering of management and consulting services from joint ventures	<u>–</u>	<u>4,935</u>	<u>31,024</u>
Income for rendering of management and consulting services from associates	<u>–</u>	<u>10,023</u>	<u>15,950</u>

Note (i): These transactions were conducted at prices and terms mutually agreed among the parties.

(c) Balances with shareholders, related parties, associates and joint ventures

	As of December 31,			Nature
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	
Amounts due from Controlling Shareholders				
(Note (i))				
– Mr. Lui Jin Ling	–	500	–	Non-trade
– Mr. Lui Chi Chung Jimmy	3	–	–	Non-trade
	<u>3</u>	<u>500</u>	<u>–</u>	
Amounts due to Controlling Shareholders				
(Note (i))				
– Mr. Lui Jin Ling	65,150	7,300	23,539	Non-trade
– Mr. Lui Chi Chung Jimmy	–	2,681	–	Trade
	<u>65,150</u>	<u>9,981</u>	<u>23,539</u>	
Amounts due to related parties (Note (i))				
– Miss Pan Ruixi	1,236	–	–	Non-trade
– Mr. Lui Jin Yi	2,020	–	–	Non-trade
– Miss Lui Cui Yan	2,000	–	–	Non-trade
– Mr. Lui Zhi Ping	1,540	–	–	Non-trade
– Miss Zhu Jia Wen	1,570	–	–	Non-trade
– Miss Hung Hua Ting	3,080	–	–	Non-trade
– Hai Men Hong Peng (Note (ii))	10,378	810	–	Trade
– Hai Men Hong Peng	–	10,309	–	Non-trade
	<u>21,824</u>	<u>11,119</u>	<u>–</u>	
Amounts due from joint ventures (Note (iii))	<u>759,806</u>	<u>569,664</u>	<u>350,268</u>	Non-trade
Amounts due to joint ventures (Note (iv))	<u>212,536</u>	<u>509,177</u>	<u>869,944</u>	Non-trade
Amounts due from associates (Note (v))	<u>268,550</u>	<u>319,636</u>	<u>124,709</u>	Non-trade
Amounts due to associates (Note (vi))	<u>592,355</u>	<u>822,213</u>	<u>1,497,735</u>	Non-trade

Note (i): Amounts due from/to Controlling Shareholders and related parties mainly represent the cash advances which are interest free, unsecured and repayable on demand. All balances with Controlling Shareholders will be fully settled prior to the Listing of the Company.

Note (ii): Amount due to Hai Men Hong Peng represents the construction and decoration services payable. The balance was interest free, unsecured and repayable on demand.

Note (iii): Amounts due from joint ventures represents the cash advances for project development. The balances bear interest rates ranging from 6.0% to 8.0% per annum, unsecured and repayable on demand.

Note (iv): Amounts due to joint ventures represents the cash advances for project development. The balances were interest-free, except for the amount of RMB145,000,000 as of December 31, 2019 which bears interest at 8.0% per annum. All balances are unsecured and repayable on demand.

Note (v): Amounts due from associates represents the cash advances for project development. The balances bear interest rates ranging from 4.75% to 12.0% per annum, unsecured and repayable on demand.

Note (vi): Amounts due to associates represents the cash advances for project development. The balances were interest-free, except for the amount of RMB546,196,000 as of December 31, 2019 which bears interest at 6.32% to 10% per annum, all balances are unsecured and repayable on demand.

(d) Guarantee with related parties

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Carrying values of the borrowings of joint ventures and associates guaranteed by certain subsidiaries of the Group			
Joint ventures	–	1,160,357	801,322
Associates	230,000	79,400	104,125
	<u>230,000</u>	<u>1,239,757</u>	<u>905,447</u>
Carrying values of the borrowings guaranteed by subsidiaries of the Group, the Controlling Shareholders and their spouses in connection with the Group's borrowings (Note 21)	317,523	450,700	2,095,149
	<u>317,523</u>	<u>450,700</u>	<u>2,095,149</u>

(e) Key management compensation

Key management compensation for the years ended December 31, 2017, 2018 and 2019 is set out below:

	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Key management compensation			
– Salaries and other employee benefits	795	2,106	7,099
– Pension costs	37	42	509
	<u>832</u>	<u>2,148</u>	<u>7,608</u>

Note (i): For year ended December 31, 2018, the compensation of certain senior management was borne by an associate of the Group, amounted to RMB339,000 respectively.

31 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

	As at December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Amounts due from non-controlling interests (Note (a)) ..	6,600	102,043	198,443
Amounts due to non-controlling interests (Note (b))	–	(1,221,665)	(4,682,599)
	<u>6,600</u>	<u>(1,221,665)</u>	<u>(4,682,599)</u>

Note (a): Amounts due from non-controlling interests mainly represented cash advances to the non-controlling interest of certain subsidiaries. They are unsecured, interest free and repayable on demand.

Note (b) Amounts due to non-controlling interests mainly represented cash advances provided by the non-controlling interests of certain subsidiaries. As of December 31, 2018 and 2019, amounts due to non-controlling interests were interest-free, except for amounts of RMB950,123,000 and RMB4,520,326,000, which bears interest ranging from 8.0%-15.0% per annum respectively and amount of RMB6,099,000 as of December 31, 2019 which bears interest at 20.0% per annum. All of the amounts due to non-controlling interests are unsecured and repayable on demand.

32 PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Group as of December 31, 2017 and 2018 and 2019 are set out as below.

Name of companies*	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/issued capital	Paid up capital	Proportion of ownership interest			Upon completion of the reorganization and as of the date of this report	Note
							December 31,				
							2017	2018	2019		
Directly owned:											
Huayang Development Limited	October 9, 2018	Limited liability company	BVI	Investment holding	US\$50,000	US\$100	100%	100%	100%	100%	(i)
Indirectly owned:											
Ganglong Development Group Limited	October 19, 2018	Limited liability company	Hong Kong	Investment holding	HK\$100	HK\$100	100%	100%	100%	100%	(i)
江蘇港龍地產集團有限公司 Jiangsu Ganglong Realty Group Co., Ltd.	August 13, 2007	Limited liability company	PRC	Property development	US\$42,857,000	RMB152,643,265	100%	100%	100%	100%	(ii)
江蘇港龍名揚置業有限公司 Jiangsu Ganglong Mingshang Property Co., Ltd.	February 9, 2010	Limited liability company	PRC	Property development	US\$6,800,000	US\$5,000,000	100%	100%	100%	100%	(ii), (xii)
江蘇港龍華揚置業有限公司 Jiangsu Ganglong Huayang Property Co., Ltd.	November 20, 2012	Limited liability company	PRC	Property development	US\$53,061,000	US\$22,585,500	100%	100%	100%	100%	(ii), (xiii), (xv)
鹽城港龍房地產開發有限公司 Yancheng Ganglong Real Estate Development Co., Ltd.	August 17, 2010	Limited liability company	PRC	Property development	RMB200,000,000	RMB200,000,000	97.5%	100%	100%	100%	(iii)
江蘇港華置業有限公司 Jiangsu Ganghua Property Co., Ltd.	August 9, 2013	Limited liability company	PRC	Property development	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	(iv)
江蘇崇越企業管理有限公司 Jianguo Chongyue Enterprise Management Co., Ltd.	March 12, 2015	Limited liability company	PRC	Investment holding	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	(i)
常鎮港華置業有限公司 Changshu Ganghua Property Co., Ltd.	January 4, 2016	Limited liability company	PRC	Property development	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	(iv)
連雲港市港華置業有限公司 Lianyungang Ganghua Property Co., Ltd.	May 16, 2016	Limited liability company	PRC	Property development	RMB75,000,000	RMB75,000,000	100%	100%	100%	100%	(v)
江蘇港輝置業有限公司 Jianguo Ganghui Property Co., Ltd.	April 13, 2017	Limited liability company	PRC	Property development	RMB10,000,000	Nil	100%	100%	100%	100%	(i)
上海港興置業有限公司 Shanghai Gangxing Property Co., Ltd.	May 3, 2017	Limited liability company	PRC	Property development	RMB50,000,000	Nil	100%	100%	70%	70%	(i)
常州港麟置業有限公司 Changzhou Ganglin Property Co., Ltd.	June 5, 2017	Limited liability company	PRC	Property development	RMB10,000,000	Nil	100%	100%	100%	100%	(i)
江蘇港龍中揚置業有限公司 Jiangsu Ganglong Zhongyang Property Co., Ltd.	April 10, 2018	Limited liability company	PRC	Property development	RMB50,000,000	RMB50,000,000	N/A	100%	100%	100%	(ix), (xiv)
貴州港華置業有限公司 Guizhou Ganghua Property Co., Ltd.	May 21, 2018	Limited liability company	PRC	Property development	RMB100,000,000	RMB100,000,000	N/A	100%	100%	100%	(ix)
洛陽港龍置業有限公司 Luoyang Ganglong Property Co., Ltd.	November 26, 2013	Limited liability company	PRC	Property development	RMB10,000,000	RMB10,000,000	N/A	90%	90%	90%	(x), (xiv)
江蘇港家置業有限公司 Jianguo Gangjia Property Co., Ltd. (Note (b))	November 13, 2017	Limited liability company	PRC	Property development	RMB10,000,000	Nil	100%	100%	100%	100%	(i)
常州嘉昌置業有限公司 Changzhou Jiachang Property Co., Ltd.	June 5, 2017	Limited liability company	PRC	Property development	RMB10,000,000	Nil	100%	100%	100%	100%	(i)
江蘇港瑞置業有限公司 Jianguo Gangrui Property Co., Ltd.	November 13, 2017	Limited liability company	PRC	Property development	RMB10,000,000	Nil	100%	100%	100%	100%	(i)
鹽城市馨水港龍房地產開發有限公司 Yancheng Xiangshui Ganglong Real Estate Development Co., Ltd.	December 17, 2018	Limited liability company	PRC	Property development	RMB20,000,000	RMB20,000,000	N/A	100%	100%	100%	(i)
港龍(中國)地產集團有限公司 Ganglong (China) Realty Group Co., Ltd.	January 23, 2019	Limited liability company	PRC	Property development	RMB1,000,000,000	Nil	N/A	N/A	100%	100%	(i)
泰興市創和置業有限公司 Taixing Chuanghe Property Co., Ltd. (Note (a))	April 10, 2018	Limited liability company	PRC	Property development	RMB20,000,000	RMB20,000,000	N/A	33%	33%	33%	(vi), (xiv)
上海隸晟企業管理有限公司 Shanghai Xiangsheng Enterprise Management Co., Ltd. (Note (a))	February 27, 2018	Limited liability company	PRC	Property development	RMB100,000	Nil	N/A	50%	50%	50%	(i)

Name of companies*	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ issued capital	Paid up capital	Proportion of ownership interest			Upon completion of the reorganization and as of the date of this report	Note
							December 31,				
							2017	2018	2019		
湖州海王康山地產發展有限公司 Huzhou Haiwang Kangshan Realty Development Co., Ltd. (Note (a))	February 5, 2018	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	25%	25%	(vii), (xv)	
上海頌興企業管理有限公司 Shanghai Qixing Enterprise Management Co., Ltd. (Note (a))	April 12, 2018	Limited liability company	PRC	Property development	RMB1,000,000	Nil	N/A	50%	50%	(i), (xiv)	
湖州海王康山置業發展有限公司 Huzhou Haiwang Kangshan Property Development Co., Ltd. (Note (a))	October 24, 2017	Limited liability company	PRC	Property development	RMB200,000,000	RMB200,000,000	N/A	25%	25%	(vii), (xiv)	
杭州宸睿置業有限公司 Hangzhou Chenrui Property Co., Ltd. (Note (a))	August 10, 2018	Limited liability company	PRC	Property development	RMB40,000,000	RMB40,000,000	N/A	25%	25%	(vii), (xiv)	
上海蘇田企業管理有限公司 Shanghai Xiangtian Enterprise Management Co., Ltd. (Note (a))	April 12, 2018	Limited liability company	PRC	Property development	RMB1,000,000	RMB1,000,000	N/A	50%	50%	(i), (xiv)	
上海崇明豫商房地產開發有限公司 Shanghai Chongming Yushang Real Estate Development Co., Ltd. (Note (a))	May 28, 2014	Limited liability company	PRC	Property development	RMB150,000,000	RMB20,000,000	N/A	50%	50%	(viii), (xv)	
蘇州拓仁企業管理有限公司 Suzhou Tuoren Enterprise Management Co., Ltd. (Note (a))	March 13, 2018	Limited liability company	PRC	Property development	RMB20,000,000	RMB2,000,000	N/A	50%	50%	(i), (xiv)	
淮安國創房地產開發有限公司 Huai'an Guochuang Real Estate Development Co., Ltd. (Note (a))	October 29, 2018	Limited liability company	PRC	Property development	RMB20,000,000	Nil	N/A	25%	25%	(i)	
江蘇通港弘置業有限公司 Jiangsu Tongganghong Property Co., Ltd. (Note (a))	February 25, 2019	Limited liability company	PRC	Property development	RMB100,000,000	RMB100,000,000	N/A	N/A	34%	(i), (xiv)	
南通港華置業有限公司 Nantong Ganghua Property Co., Ltd. (Note (a))	February 11, 2019	Limited liability company	PRC	Property development	RMB71,428,500	RMB71,428,500	N/A	N/A	70%	(i), (xiv)	
蘇州景壹置業有限公司 Suzhou Jingyi Property Co., Ltd. (Note (a))	February 26, 2019	Limited liability company	PRC	Property development	RMB20,408,000	Nil	N/A	N/A	51%	(i)	
常州市凱陽置業有限公司 Changzhou Kaiyang Property Co., Ltd. (Note (a))	April 30, 2019	Limited liability company	PRC	Property development	RMB20,000,000	Nil	N/A	N/A	51%	(i)	
常州全嘉置業有限公司 Changzhou Quanjia Property Co., Ltd. (Note (a))	April 15, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	(i)	
上海天弘置業有限公司 Shanghai Tianhong Property Co., Ltd. (Note (a))	April 26, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	50%	(i)	
上海玖奕置業有限公司 Shanghai Jiuyi Property Co., Ltd. (Note (b))	June 25, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	(i)	
紹興港興置業有限公司 Shaoxing Gangxing Property Co., Ltd. (Note (b))	June 24, 2019	Limited liability company	PRC	Property development	RMB100,000,000	Nil	N/A	N/A	70%	(i), (xiv)	
如東港瑞置業有限公司 Rudong Gangrui Property Co., Ltd. (Note (b))	June 28, 2019	Limited liability company	PRC	Property development	RMB50,000,000	Nil	N/A	N/A	51%	(i), (xiv)	
上海港軒置業有限公司 Shanghai Gangxuan Property Co., Ltd. (Note (b))	November 21, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	(i)	
南京港龍置業有限公司 Nanjing Ganglong Property Co., Ltd. (Note (b))	November 28, 2019	Limited liability company	PRC	Property development	RMB50,000,000	RMB500,000	N/A	N/A	100%	(i)	
上海港泳置業有限公司 Shanghai Gangyong Property Co., Ltd. (Note (b))	December 10, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	(i)	
上海港茗置業有限公司 Shanghai Gangming Property Co., Ltd. (Note (b))	December 10, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	(i)	
南京港弘房地產開發有限公司 Nanjing Ganghong Real Estate Development Co., Ltd. (Note (b))	December 4, 2019	Limited liability company	PRC	Property development	RMB100,000,000	RMB43,750,000	N/A	N/A	100%	(i)	

Name of companies*	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ issued capital	Paid up capital	Proportion of ownership interest			Upon completion of the reorganization and as of the date of this report	Note
							December 31,				
							2017	2018	2019		
上海港樓置業有限公司 Shanghai Gangluohui Property Co., Ltd.	December 24, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	100%	(i)
上海港朋置業有限公司 Shanghai Gangpeng Property Co., Ltd.	December 24, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	100%	100%	(i)
常州港嘉置業有限公司 Changzhou Gangjia Property Co., Ltd.	August 6, 2019	Limited liability company	PRC	Property development	RMB350,000,000	RMB350,000,000	N/A	N/A	51%	40%	(i), (xiv)
如東港達置業有限公司 Rudong Gangda Property Co., Ltd.	July 25, 2019	Limited liability company	PRC	Property development	RMB50,000,000	RMB50,000,000	N/A	N/A	51%	51%	(i), (xiv)
蘇州瑞興房地產有限公司 Suzhou Ruixing Real Estate Co., Ltd. (Note (a))	September 4, 2019	Limited liability company	PRC	Property development	RMB100,000,000	RMB100,000,000	N/A	N/A	35%	35%	(i), (xiv)
紹興港向置業有限公司 Shaoxing Gangtong Property Co., Ltd. (Note (a))	September 19, 2019	Limited liability company	PRC	Property development	RMB20,000,000	RMB20,000,000	N/A	N/A	50%	50%	(i), (xiv)
上海秦弘企業管理合夥企業(有限合伙) Shanghai Zhenhong Enterprise Management Partnership (Limited Partnership) (Note (b))	September 18, 2019	Limited partnership	PRC	Property development	N/A	N/A	N/A	N/A	100%	100%	(i)
上海美弘置業有限公司 Shanghai Meihong Property Co., Ltd. (Note (a))	April 24, 2019	Limited liability company	PRC	Property development	RMB10,000,000	RMB10,000,000	N/A	N/A	39%	100%	(i), (xiv)
南通欣和置業有限公司 Nantong Xinhe Property Co., Ltd. (Note (a))	September 26, 2019	Limited liability company	PRC	Property development	RMB10,000,000	Nil	N/A	N/A	28%	28%	(i)
港或(上海)置業有限公司 Gangyu (Shanghai) Property Co., Ltd.	July 17, 2019	Limited liability company	PRC	Property development	RMB50,000,000	Nil	N/A	N/A	60%	60%	(i)
泰州港新正置業有限公司 Taizhou Gangxinzheng Property Co., Ltd.	December 9, 2019	Limited liability company	PRC	Property development	RMB200,000,000	Nil	N/A	N/A	60%	60%	(i)
東台歸騰置業有限公司 Dongtai Jiteng Property Co., Ltd.	November 5, 2019	Limited liability company	PRC	Property development	USDS,000,000	Nil	N/A	N/A	51%	51%	(i), (xiv)
上海斐實企業管理合夥企業(有限合伙) Shanghai Fei Huan Enterprise Management Partnership (Limited Partnership) (Note (b))	November 27, 2019	Limited partnership	PRC	Property development	N/A	N/A	N/A	N/A	100%	50%	(i)

* The English names of PRC companies referred to above in this note represents management's best efforts in translating the Chinese names of those companies as no English name have been registered or available.

Note (a) The Group has controlled these companies through agreements entered into with certain non-controlling shareholders pursuant to which the Group has the right to make decision on relevant activities including but not limited to budget, pricing and promotion strategies of these companies. As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities, these companies are thus accounted for as subsidiaries of the Group.

(b) The percentage of attributable equity interests presented is the beneficiary interests held by the Group. The equity interests in entities legally held by the Group are lower than the beneficiary interests because of the existence of Type II trust financing arrangements. Key terms of Type II arrangements are set out on pages 238 to 240 in this prospectus.

Notes:

- (i) *No audited financial statements have been prepared and issued for these entities for the years ended December 31, 2016, 2017 and 2018 as appropriate.*
- (ii) *The statutory financial statements for the years ended December 31, 2016, 2017 and 2018 prepared in accordance with Chinese accounting standards have been audited by 常州匯豐會計師事務所有限公司, a certified public accounting firm registered by in the PRC.*
- (iii) *The statutory financial statements for the years ended December 31, 2016, 2017 and 2018 prepared in accordance with Chinese accounting standards have been audited by 鹽城天方會計師事務所, a certified public accounting firm registered in the PRC.*
- (iv) *The statutory financial statements for the years ended December 31, 2016, 2017 and 2018 prepared in accordance with Chinese accounting standards have been audited by 江蘇新瑞會計師事務所有限公司, a certified public accounting firm registered in the PRC.*
- (v) *The statutory financial statements for the period ended December 31, 2016, prepared in accordance with Chinese accounting standards have been audited by 江蘇天凱會計師事務所有限公司, a certified public accounting firm registered in the PRC.*
- (vi) *The statutory financial statements for the period ended December 31, 2018 prepared in accordance with Chinese accounting standards have been audited by 泰州祥瑞佳誠聯合會計師事務所, a certified public accounting firm registered in the PRC.*
- (vii) *The statutory financial statements for the period ended December 31, 2018 prepared in accordance with Chinese accounting standards have been audited by 北京永拓會計師事務所, a certified public accounting firm registered in the PRC.*
- (viii) *The statutory financial statements for the year ended December 31, 2018 prepared in accordance with Chinese accounting standards have been audited by 瑞華會計師事務所, a certified public accounting firm registered in the PRC.*
- (ix) *The statutory financial statements for the period ended December 31, 2018 prepared in accordance with Chinese accounting standards have been audited by 常州匯豐會計師事務所有限公司, a certified public accounting firm registered in the PRC.*
- (x) *The statutory financial statements for the year ended December 31, 2018 prepared in accordance with Chinese accounting standards have been audited by 河南凱橋會計師事務所有限公司, a certified public accounting firm registered in the PRC.*
- (xi) *All companies comprising the Group have adopted December 31, as their financial year end.*
- (xii) *Prior to the Reorganization, pursuant to the resolution of the then shareholders of this company on October 12, 2016, the paid up capital was reduced by RMB44,022,000 and paid to the shareholders, resulting a decrease of other reserve for the same amount.*
- (xiii) *Prior to the Reorganization, pursuant to the resolution of the then shareholders of this company on October 20, 2016, the paid up capital was increased by RMB43,483,000 through capital injection by the then shareholders, resulting an increase of other reserve for the same amount.*
- (xiv) *During the years ended December 31, 2018 and 2019, the non-controlling interests of the companies injected RMB144,398,000 and RMB482,117,000 in cash, respectively, into these companies as capital contribution.*
- (xv) *As of December 31, 2018 and 2019, the share capital of these companies were pledged for the Group's borrowings (Note 21).*

33 ACQUISITION OF SUBSIDIARIES**(a) Acquisition of Luoyang Ganglong Property Co., Ltd. (“Luoyang Ganglong”)**

On April 20, 2018, the Group acquired 90% of the issued share capital of Luoyang Ganglong, a property development company, for a consideration of RMB1,361,000 in cash. The principal assets of Luoyang Ganglong Property Co., Ltd. are properties under development (mainly consist of land use rights) and accordingly, the transactions have been accounted for as an acquisition of assets.

The following table summarizes the consideration paid for the acquisition and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

	<u>April 20, 2018</u>
	<u>RMB'000</u>
Purchase consideration	
Cash paid	1,361
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property under development	57,275
Other receivables	13,452
Cash and cash equivalents	1
Other payables	(69,216)
Net identifiable assets acquired	1,512
Less: non-controlling interests	(151)
Net assets acquired	<u>1,361</u>
Net cash outflow arising from acquisition of subsidiaries	
Cash paid	(1,361)
Cash and cash equivalents acquired	1
Net outflow of cash – investing activities	<u>(1,360)</u>

(b) Acquisition of Shanghai Chongming Yushang Real Estate Development Co., Ltd. (“Shanghai Chong Ming”)

On September 25, 2018, the Group acquired 50% of the issued share capital of Shanghai Chong Ming, a property development company, for a consideration of RMB200,500,000 in cash. The principal assets of Shanghai Chongming Yushang Real Estate Development Co., Ltd are properties under development (mainly consist of land use rights) and property, plant and equipment and accordingly, the transactions have been accounted for as an acquisition of assets.

The following table summarizes the consideration paid for the acquisition and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

	<u>September 25, 2018</u>
	<u>RMB'000</u>
Purchase consideration	
Cash paid	<u>200,500</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	107
Property under development	1,005,839
Other receivables	6,736
Cash and cash equivalents	5,114
Other payables	(572,306)
Borrowings	<u>(240,000)</u>
Net identifiable assets acquired	<u>205,490</u>
Less: non-controlling interests	<u>(4,990)</u>
Net assets acquired	<u>200,500</u>
Net cash outflow arising from acquisition of subsidiaries	
Cash paid	(200,500)
Cash and cash equivalents acquired	<u>5,114</u>
Net outflow of cash – investing activities	<u>(195,386)</u>

34 EVENTS AFTER THE BALANCE SHEET DATE

On June 20, 2020, the authorized share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 shares of HK\$0.01 each to rank pari passu in all respects with the existing shares.

After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As of the date of this report, the Group is closely monitoring the impacts on operation and financial status of the Group as a result of the COVID-19 outbreak.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2019 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2019.

OUR REGISTERED OFFICE, PRINCIPAL PLACES OF BUSINESS AND HEADQUARTERS

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Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street, P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands	Suites 3620-22, 36/F Two Pacific Place 88 Queensway Hong Kong	6/F Alibaba Shanghai Center No. 1-4, Lane 1398 Shenchang Road Minhang District Shanghai China

TRUSTEE, PRINCIPAL PAYING AND TRANSFER AGENT AND REGISTRAR

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