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

This announcement and the listing document referred herein is for informational purposes only as required by the Rules Governing the Listing of Securities on the Stock Exchange and is not an offer to sell or the solicitation of an offer to buy any securities in the United States or in 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. Neither this announcement nor anything herein (including the listing document) forms the basis for any contract or commitment whatsoever. *The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Company and management, as well as financial statements. No public offer of securities is to be made by the Company in the United States.*

For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

中梁控股集团
ZHONGLIANG HOLDINGS GROUP

Zhongliang Holdings Group Company Limited
中 梁 控 股 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(the "**Company**", Stock Code: 2772)

US$50 MILLION 9.5% SENIOR NOTES DUE 2022 (THE "ADDITIONAL NOTES") (TO BE CONSOLIDATED AND FORM A SINGLE CLASS WITH THE US$200 MILLION 9.5% SENIOR NOTES DUE 2022 ISSUED BY THE COMPANY ON 29 OCTOBER 2020 (THE "NOTES", STOCK CODE: 40439)

PUBLICATION OF THE OFFERING MEMORANDUM

This announcement is issued pursuant to Rule 37.39A 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 supplemental offering memorandum dated 16 November 2020 (the "**Offering Memorandum**") appended herein in relation to the issuance of the Additional Notes. As disclosed in the Offering Memorandum, the Additional Notes were intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and will be listed on the Stock Exchange on that basis.

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

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

By Order of the Board
Zhongliang Holdings Group Company Limited
YANG Jian
Chairman

Hong Kong, 24 November 2020

As at the date of this announcement, Mr. Yang Jian, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) are the executive Directors; and Mr. Wang Kaiguo, Mr. Wu Xiaobo and Mr. Au Yeung Po Fung are the independent non-executive Directors.

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 disclaimer 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 "EU Prospectus Regulation"). The following offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area ("EEA") and the United Kingdom ("UK") will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

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. 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 EEA or in 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, 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 Purchaser or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchaser or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, UBS AG Hong Kong Branch (the "Initial Purchaser"), any person who controls it or any director, officer, employee or agent of it or affiliate of any such person does not accept any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchaser.

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

SUPPLEMENTAL OFFERING MEMORANDUM **CONFIDENTIAL**

(to the Offering Memorandum dated October 21, 2020)

US$50,000,000

(to be consolidated and form a single class with the US$200,000,000 9.5% Senior Notes due 2022 issued on October 29, 2020)

中梁控股集团
ZHONGLIANG HOLDINGS GROUP

Zhongliang Holdings Group Company Limited

中 梁 控 股 集 團 有 限 公 司

(Incorporated in the Cayman Island with limited liability)

9.5% SENIOR NOTES DUE 2022
ISSUE PRICE: 99.603% plus accrued interest from (and including) October 29, 2020 to (but excluding) November 23, 2020

Zhongliang Holdings Group Company Limited (中梁控股集團有限公司) (the "Company" or the "Issuer") is offering 9.5% senior notes due 2022 in the aggregate principal amount of US$50,000,000 (the "New Notes"). The New Notes will be issued under the indenture (the "Indenture") governing the Company's outstanding US$200,000,000 aggregate principal amount of 9.5% Senior Notes due 2022 (the "Original Notes"). The New Notes constitute Additional Notes under the Indenture and are identical in all respects with the Original Notes other than with respect to the date of issuance and issue price. The Original Notes and the New Notes are referred to collectively as the "Notes." Upon completion of this issuance, the aggregate principal amount of outstanding New Notes and Original Notes will be US$250,000,000. Terms not defined in this supplemental offering memorandum have the meanings given to them in the accompanying offering memorandum dated October 21, 2020 (the "Offering Memorandum"). The Notes will bear interest at the rate of 9.5% per annum payable in arrears on July 29, 2021, January 29, 2022 and July 29, 2022 and will mature on July 29, 2022.

The Notes are senior obligations of the Company guaranteed (the "Subsidiary Guarantees") by our existing subsidiaries (the "Subsidiary Guarantors") other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in "Description of the Notes" in this supplemental offering memorandum and the accompanying Offering Memorandum.

At any time and from time to time prior to October 29, 2020, 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 109.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to July 29, 2022 at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this supplemental offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the "Description of the Notes") in the accompanying Offering Memorandum.

For a more detailed description of the Notes. See "Description of the Notes" in the accompanying Offering Memorandum.

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See "Risk Factors" beginning on page 14 and particularly pages 38-51 for risks relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees in the accompanying Offering Memorandum.

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

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

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act"), and may not be offered or sold within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes are being offered and sold by UBS AG Hong Kong Branch (the "Initial Purchaser") only outside the United States 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" in the accompanying Offering Memorandum.

The Notes are rated B+ by Fitch Ratings and BB by Lianhe Global and we do not expect the ratings will change as a result of the issuance of the New Notes. We have been assigned a long-term corporate credit rating of B1 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the New Notes with the NDRC and obtained a certificate from the NDRC on September 23, 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within ten PRC working days after the issue date of the New Notes.

It is expected that delivery of the New Notes will be made on or about November 23, 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.

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

UBS

The date of this supplemental offering memorandum is November 16, 2020

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Supplemental Offering Memorandum

Offering Memorandum

You should rely only on the information contained in this supplemental offering memorandum and the accompanying Offering Memorandum. The accompanying Offering Memorandum contains important information with respect to an investment in the New Notes. This supplemental offering memorandum is not complete without the accompanying Offering Memorandum. Terms used but not defined in this supplemental offering memorandum have the meanings assigned to them in the accompanying Offering Memorandum.

This supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying Offering Memorandum or that the information contained in this supplemental offering memorandum and the accompanying Offering Memorandum is correct as of any time after that date.

Neither this supplemental offering memorandum or the accompanying Offering Memorandum is a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129. This supplemental offering memorandum and the accompanying Offering Memorandum have been prepared on the basis that all offers of the securities made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

The communication of this supplemental offering memorandum and the accompanying Offering Memorandum 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 ("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 this supplemental offering memorandum and the accompanying Offering Memorandum are only available to, and any investment or investment activity to which this supplemental offering memorandum and the accompanying Offering Memorandum relate 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 supplemental offering memorandum and the accompanying Offering Memorandum or any of their contents.

Prohibition of Sales to EEA Retail Investors — The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (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 New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER APPOINTED AND ACTING IN THE CAPACITY AS STABILIZATION MANAGER OR ANY PERSON ACTING FOR IT (THE "STABILIZATION MANAGER"), MAY PURCHASE AND SELL THE NEW 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 NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZATION MANAGER, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this supplemental offering memorandum and the accompanying Offering Memorandum contain all information with respect to us, our subsidiaries and affiliates referred to in this supplemental offering memorandum and the accompanying Offering Memorandum and the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees that is material in the context of the issue and offering of the New Notes; (ii) the statements contained in this supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying Offering Memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the New Notes, make this supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying Offering Memorandum are highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this supplemental offering memorandum and the accompanying Offering Memorandum before making a decision whether to purchase the New Notes. You must not use this supplemental offering memorandum and the accompanying Offering Memorandum for any other purpose, or disclose any information in this supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying 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.

This supplemental offering memorandum and the accompanying Offering Memorandum include particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors (if any). The Company, together with the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) accept full responsibility for the accuracy of the information contained in this supplemental offering memorandum and the accompanying Offering Memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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

No representation or warranty, express or implied, is made or given by UBS AG Hong Kong Branch (the "Initial Purchaser"), China Construction Bank (Asia) Corporation Limited, as trustee (the "Trustee") or any of their respective affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this supplemental offering memorandum and the accompanying Offering Memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. Neither the Initial Purchaser nor the Trustee has independently verified any of the information contained in this supplemental offering memorandum and the accompanying Offering Memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither the Initial

Purchaser nor the Trustee accepts any responsibility for the contents of this supplemental offering memorandum and the accompanying Offering Memorandum or for any statement made or purported to be made by the Initial Purchaser, the Trustee or on their behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the New Notes. The Initial Purchaser and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this supplemental offering memorandum and the accompanying Offering Memorandum or any such statement.

Each person receiving this supplemental offering memorandum and the accompanying 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 Purchaser, the Trustee or any person affiliated with the Initial Purchaser or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchaser or the Trustee.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees 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 supplemental offering memorandum and the accompanying Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

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

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

THE OFFERING

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

Issuer	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司).
New Notes Offered	US$50,000,000 aggregate principal amount of 9.5% Senior Notes due 2022 (the "New Notes") to be consolidated and form a single class with the US$200,000,000 9.5% senior notes due 2022 issued by the Company on October 29, 2020 (the "Original Notes" and, together with the New Notes, the "Notes"). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date and issue price.
Offering Price	99.603% of the principal amount of the New Notes plus accrued interest from (and including) October 29, 2020 to (but excluding) November 23, 2020.
Issue Date of the New Notes	November 23, 2020.
Maturity Date	July 29, 2022.
Interest	The Notes bear interest from (and including) October 29, 2020 at the rate of 9.5% per annum, payable in arrears on July 29, 2021, January 29, 2022 and July 29, 2022.
Use of Proceeds	The gross proceeds from the offering of the New Notes will be approximately US$50.1 million, which we plan to use to refinance onshore Indebtedness. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.
Transfer Restrictions	The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions." in the accompanying Offering Memorandum
Delivery of the Notes. . . .	The Company expects to make delivery of the New Notes against payment in same-day funds on or about November 23, 2020, which the Company expects will be the fifth business day following the date of the offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the "T+5" settlement. See "Plan of Distribution."
Trustee	China Construction Bank (Asia) Corporation Limited.
Ratings	The Original Notes are rated B+ by Fitch Ratings and BB by Lianhe Global and we do not expect the ratings to change as a result of the issuance of the New Notes. In addition, we have been assigned a long-term corporate credit rating of B1 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

Form, Denomination and Registration	The New Notes will be issued only in fully registered form without coupons, in minimum 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 deposited with a common depositary and registered in the name of the common depositary or its nominee. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.
Listing and Trading	Application will be made to the Hong Kong Stock Exchange for the listing of the New Notes by way of debt issues to Professional Investors only.

Security Codes . . . .

ISIN	Common Code
XS2247412518	224741251

For all other terms, please refer to the section entitled "Summary of the Offering" in the accompanying Offering Memorandum.

USE OF PROCEEDS

We estimate that the gross proceeds from the offering of the New Notes, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$50.1 million, which we plan for refinancing of existing indebtedness.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

RISK FACTORS

The following paragraph replaces the paragraph under risk factor entitled "**A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.**"on page 45 of the accompanying Offering Memorandum.

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 will be made to the SEHK for the listing and quotation of the Notes on the SEHK, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. 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 Group's 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. The Initial Purchaser may subsequently elect to sell any Notes purchased by it at varying prices which may differ from the issue price of the Notes as set forth in this Offering Memorandum. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

The following paragraph replaces the paragraph under risk factor entitled "**Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.**" on page 49 of the accompanying Offering Memorandum.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 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.

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 Original Notes and the New Notes in this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with the offering of the Original Notes, but 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 supplemental offering memorandum and the accompanying Offering Memorandum.

	As of June 30, 2020			
	Actual		As adjusted	
	RMB	US$	RMB	US$
	(In thousands)			
Cash and cash equivalents (excluding restricted cash and pledged deposits)	19,540,440	2,765,770	21,275,629	3,011,370
Current				
Bank loans				
— secured	2,226,080	315,081	2,226,080	315,081
Other loans				
— secured	9,361,796	1,325,076	9,361,796	1,325,076
— unsecured	1,618,205	229,042	1,618,205	229,042
Current portion of long-term bank loans				
— secured	3,155,014	446,563	3,155,014	446,563
Current portion of long-term other loans				
— secured	1,559,748	220,768	1,559,748	220,768
Senior notes	5,054,138	715,367	5,054,138	715,367
Total current borrowings	22,974,981	3,251,897	22,974,981	3,251,897
Non-current				
Bank loans				
— secured	22,510,087	3,186,096	22,510,087	3,186,096
Other loans				
— secured	4,532,690	641,561	4,532,690	641,561
Senior notes	2,791,595	395,125	2,791,595	395,125
Original Notes	—	—	1,381,227	195,500
New Notes to be issued	—	—	353,962	50,100
Total non-current borrowings	29,834,372	4,222,781	31,569,561	4,468,382
Equity				
Equity attributable to the owners of the Company				
Share capital	31,450	4,451	31,450	4,451
Reserves	8,844,857	1,251,908	8,844,857	1,251,908
	8,876,307	1,256,360	8,876,307	1,256,360
Non-controlling interests	16,569,489	2,345,259	16,569,489	2,345,259
Total equity	25,445,796	3,601,619	25,445,796	3,601,619
Total capitalization(1)	55,280,168	7,824,400	57,015,357	8,070,001

Note:

(1) Total capitalization equals total non-current borrowings plus total equity.

Since June 30, 2020, we have incurred additional indebtedness. 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 supplemental offering memorandum and the accompanying Offering Memorandum, there has been no material adverse change in our capitalization since June 30, 2020. See "Description of Other Material Indebtedness" in the accompanying Offering Memorandum.

DESCRIPTION OF THE NEW NOTES

The following provisions should be read in conjunction with the section entitled "Description of the Notes" in the accompanying Offering Memorandum.

The Company is issuing US$50,000,000 aggregate principal amount of New Notes in this offering. The New Notes constitute Additional Notes under the Indenture and are identical in all respects to the Original Notes, other than with respect to the issue date and issue price, and will be consolidated and form a single class with the Original Notes. Upon completion of this offering, the aggregate principal amount of outstanding New Notes and Original Notes will be US$250,000,000. Interest on the New Notes will accrue from (and including) November 23, 2020. All references to the Notes in the accompanying Offering Memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes will be subject to restrictions on transfer as set forth in a legend appearing thereon as described in the section entitled "Transfer Restrictions" in the accompanying Offering Memorandum.

Unless otherwise defined in this supplemental offering memorandum, you can find the definitions of terms used in this section under "Description of the Notes — Definitions" in the accompanying Offering Memorandum.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated November 16, 2020, UBS AG Hong Kong Branch (the "Initial Purchaser") has agreed to purchase, and we have agreed to sell to UBS AG Hong Kong Branch, US$50,000,000 the principal amount of the New Notes.

The purchase agreement provides that the obligations of the Initial Purchaser to purchase the New Notes are subject to approval of legal matters by counsel and to certain other conditions. The Initial Purchaser must purchase all the New Notes if they purchase any of the New Notes.

The Initial Purchaser proposes to resell the New Notes at the offering price set forth on the cover page of this supplemental offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions" in the accompanying Offering Memorandum. The price at which the New Notes are offered may be changed at any time without notice.

The New Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions" in the accompanying Offering Memorandum.

In addition, the Company has agreed with the Initial Purchaser that it will be paid a commission in connection with the purchase of the New Notes by its private bank clients.

During the period beginning on the date hereof and continuing to the Closing Date, without the prior written consent of the Initial Purchaser, none of the Issuer and the Subsidiary Guarantors will offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any debt securities issued or guaranteed by the Issuer or the Subsidiary Guarantors.

The New Notes will constitute a new class of securities with no established trading market. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Notes by way of debt issues to professional investors only. However, we cannot assure you that the prices at which the New Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the New Notes will develop and continue after this offering. The Initial Purchaser has advised us that they currently intend to make a market in the New Notes. However, the Initial Purchaser is not obligated to do so and they may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes.

In connection with the offering of the New Notes, the Initial Purchaser may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the New Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a dealer when the New Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchaser makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither we nor the Initial Purchaser makes any representation that the Initial Purchaser will engage in these transaction or that these transactions, once commenced, will not be discontinued without notice.

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

The Initial Purchaser or its affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchaser or its affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchaser, which may include transactions relating to our obligations under the New Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

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

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

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

We have been advised that the Initial Purchaser presently intends to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchaser is not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchaser. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchaser and its affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) 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 and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Company or its subsidiaries, jointly controlled entities or associated companies, including the Notes, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes may be purchased by or be allocated to any Initial Purchaser or an affiliate for asset management and/or proprietary purposes but not with a view to distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. We may from time to time enter into hedging or other derivative transactions, including swap agreements, future or forward contracts, option agreements or other similar arrangements, as part of our risk management strategy with the Initial Purchaser or its affiliates, which may include transactions relating to our obligations under the Notes all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral permitted under the Indenture.

The securities may be sold in any of the three ways (or in any combination): (1) to or through underwriters or dealers; (2) directly to one or more purchasers; or (3) through agents. We may distribute the securities covered by this offering memorandum from time to time in one or more transactions: (1) at a fixed price or prices, which may be changed from time to time; (2) at market prices prevailing at the time of sale; (3) at prices related to the prevailing market prices; or (4) at negotiated prices.

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

SELLING RESTRICTIONS

You should refer to the section entitled "Plan of Distribution — Selling Restrictions" in the accompanying Offering Memorandum.

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 Walkers (Hong Kong) as to matters of Cayman Islands law and BVI law. Certain legal matters will be passed upon for the Initial Purchaser by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

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 New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated October 19, 2020.

LITIGATION

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

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this supplemental 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 New Notes.

DOCUMENTS AVAILABLE

For so long as any of the New Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the Trustee, following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the New Notes is outstanding, copies of the 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 supplemental offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the principal/registered office of the Company.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS2247412518	224741251

LISTING OF THE NOTES

Application will be made to the SEHK for the listing of, and permission to deal in, the New Notes by way of debt issues to Professional Investors only as described in this supplemental offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the correctness of any statements made on opinions or reports contained in this supplemental offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this supplemental offering memorandum.

THE COMPANY

PRINCIPAL AND REGISTERED OFFICES

Registered Office

Zhongliang Holdings Group Company Limited
Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Place of Business in Hong Kong

Zhongliang Holdings Group Company Limited
Suite 1506, ICBC Tower
3 Garden Road, Central
Hong Kong

TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to U.S. and Hong Kong laws

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

As to PRC law

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

As to Cayman Islands and British Virgin Islands laws

Walkers (Hong Kong)
15/F, Alexandra House
18 Chater Road
Central
Hong Kong

LEGAL ADVISERS TO THE INITIAL PURCHASER

As to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing

As to U.S. law

Norton Rose Fulbright Hong Kong
38/F Jardine House
1 Connaught Place
Central
Hong Kong

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

OFFERING MEMORANDUM **CONFIDENTIAL**

US$200,000,000

中梁控股集团
ZHONGLIANG HOLDINGS GROUP

Zhongliang Holdings Group Company Limited

中 梁 控 股 集 团 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

9.5% SENIOR NOTES DUE 2022
ISSUE PRICE: 98.937%

Our 9.5% Senior Notes due 2022 (the "Notes") will bear interest at the rate of 9.5% per annum payable in arrears on July 29, 2021, January 29, 2022 and July 29, 2022 and will mature on July 29, 2022.

The Notes are senior obligations of Zhongliang Holdings Group Company Limited (中梁控股集團有限公司) (the "Company") guaranteed (the "Subsidiary Guarantees") by our existing subsidiaries (the "Subsidiary Guarantors") other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in "Description of the Notes."

At any time and from time to time prior to July 29, 2022, 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 109.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to July 29, 2022 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. Upon the occurrence of a Change of Control Triggering Event (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 will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Description of the Notes).

For a more detailed description of the Notes. See "Description of the Notes."

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

Application will be made to The Stock Exchange of Hong Kong Limited (the "SEHK") for the listing of, and permission to deal in the Notes (as defined herein) by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. This offering memorandum is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

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

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 applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by the Initial Purchasers only outside the United States in 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."

The Notes are expected to be rated B+ by Fitch Ratings and BB by Lianhe Global. We have been assigned a long-term corporate credit rating of B1 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on September 23, 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about October 29, 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 **UBS**

BOC International **China CITIC Bank International** **CCB International** **CMB International**

Credit Suisse **Deutsche Bank** **Standard Chartered Bank**

Joint Bookrunners and Joint Lead Managers

BOCOM International **Vision Capital International Holdings Limited**

The date of this offering memorandum is October 21, 2020

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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. This offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area and in the United Kingdom will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

The communication of this offering memorandum 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 ("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 this offering memorandum are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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

IN CONNECTION WITH THIS OFFERING, ANY ONE OF THE INITIAL PURCHASERS 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 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, 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.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to the Company and the Subsidiary Guarantors. The Company, together with the Subsidiary Guarantors, accept full responsibility for the accuracy of the information contained in this offering memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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, UBS AG Hong Kong Branch, BOCI Asia Limited, China CITIC Bank International Limited, CCB International Capital Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Standard Chartered Bank, BOCOM International Securities Limited and Vision Capital International Holdings Limited (the "Initial Purchasers"), China Construction Bank (Asia) Corporation Limited, as trustee (the "Trustee") or any of their respective affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. Neither the Initial Purchasers nor the Trustee has 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, neither the Initial Purchasers nor the Trustee accepts any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers, the Trustee or on their behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers and the Trustee 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 or any person affiliated with the Initial Purchasers or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or the Trustee.

Data Protection

Under the Cayman Islands Data Protection Law, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Issuer as data controller has obligations with respect to the processing of personal data by the Issuer and its affiliates and delegates. Breach of the Data Protection Legislation by the Issuer could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Issuer in order for an investment in the Notes to continue or to enable the Notes to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Notes or to redeem the Notes.

The Issuer has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Issuer's use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the "General Information" Section of this offering memorandum.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees 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, 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 and the Subsidiary Guarantees, 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. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to Zhongliang Holdings Group Company Limited (中梁控股集團有限公司) itself and its consolidated subsidiaries, as the context requires. In this offering memorandum, references to the "Board" or "Board of Directors" refer to the board of directors of the Company.

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

In this offering memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "HK"); 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 "BVI" in this offering memorandum are to the British Virgin Islands.

References to "COVID-19" in this offering memorandum are to the disease caused by severe acute respiratory syndrome coronavirus 2.

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 "the first half of 2020" are to our financial period ended June 30, 2020.

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.

References to "IFRS" are to International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board.

References to "Reorganization" are to the corporate reorganization we underwent before our initial public offering listed on the SEHK in June 2019.

References to "CBRC" or "CBIRC" are to, China Banking Regulatory Commission (中國銀行業監督管理委員會), currently consolidated into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

References to "EIT" are to enterprise income tax in the PRC. References to "EIT Law" are to, the PRC Enterprise Income Tax Law.

References to "MOFCOM" are to Ministry of Commerce of the PRC (中華人民共和國商務部).

References to "MOHURD" are to Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) (previously Ministry of Construction of the PRC (中華人民共和國建設部) before March 15, 2008).

References to "NDRC" are to National Development and Reform Commission (中華人民共和國發展和改革委員會).

References to "PBOC" are to People's Bank of China (中國人民銀行).

References to "SAFE" are to the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局).

References to "SAFE Circular No. 37" are to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on July 4, 2014.

References to "SAT" are to the State Administration of Taxation of the People's Republic of China (中華人民共和國國家稅務總局).

References to "State Council" are to the PRC State Council (中華人民共和國國務院).

References to "Zhejiang Tianjian" are to Zhejiang Tianjian Real Estate Co., Ltd. (浙江天劍置業有限公司), (formerly known as Zhejiang Zhongliang Real Estate Co., Ltd (浙江中梁置業有限公司)), a limited company established in the PRC on June 29, 1993, which is indirectly majority owned by Mr. Yang Jianqing, cousin of Mr. Yang Jian.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor and JV Subsidiary Guarantor (if any) is also incorporated or may be incorporated, as the case may be, outside the United States, such as the BVI and Hong Kong. The Cayman Islands, BVI, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

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

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

We have been advised by our Cayman Islands legal advisor, Walkers (Hong Kong), that a judgment obtained in a court of the United States will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment: (a) is final and conclusive; (b) is one in respect of which such United States courts had jurisdiction over the defendant according to Cayman Islands conflict of law rules; (c) is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in person and non-money relief; and (d) was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

We have been advised by our British Virgin Islands legal advisor, Walkers (Hong Kong), that any final and conclusive judgment obtained in a court of the United States for either a liquidated sum (not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations), or in certain circumstances, for in person and non-money relief, such judgment will be recognized and enforced in the courts of the British Virgin Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the courts of the British Virgin Islands, provided that (a) the judgment had not been wholly satisfied, (b) that United States court had jurisdiction in the matter and the Subsidiary Guarantors incorporated in the British Virgin Islands either submitted to the jurisdiction of that United States court or was resident or carrying on business within such jurisdiction and was duly served with process, (c) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of a court, (d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the courts of the British Virgin Islands; (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and (f) applicable rules of British Virgin Islands law permit service out on the debtor in question.

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

(i) was obtained by fraud;

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

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

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

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

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

GLOSSARY OF TECHNICAL TERMS

This glossary contains terms used in this offering memorandum in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

average selling price or ASP	average selling price on a saleable GFA basis, unless otherwise stated
CAGR	compound annual growth rate
contracted sales	total contractual value of properties sold in the relevant period, i.e. the total contractual value determined in the formal sale and purchase contract signed by both parties; it includes completed properties sold and properties pre-sold prior to completion of construction; contracted sales in any given period is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognized in any future period; contracted sales data is unaudited and is based on internal information of our Group, which is provided for investors' reference only
fourth-tier cities	refer to cities with an average annual residential property sales of less than RMB8 billion in the past three years, a GDP of less than RMB150 billion and with a population of less than 4 million, which include cities such as Jiujiang, Shangrao, Heyuan, Enshi, Huaibei, Puer and Dali
GFA	gross floor area
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》)
Midwest China Economic Region	for the purpose of this offering memorandum, refers to Chongqing, Shanxi Province, Henan Province, Shaanxi Province, Ningxia Hui Autonomous Region, Gansu Province, Yunnan Province, Guizhou Province, Hunan Province, Hubei Province, Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region and Sichuan Province
Pan-Bohai Economic Rim	for the purpose of this offering memorandum, refers to Beijing, Tianjin, Hebei Province, Shandong Province and Liaoning Province
Pearl River Delta Economic Zone	for the purpose of this offering memorandum, refers to Guangdong Province
PRC Real Estate Top 10 Research Team	a research team jointly established by China Index Academy, Enterprise Research Institute under the Development Research Center of the State Council (國務院發展研究中心企業研究所) and the Property Research Institute Tsinghua University (清華大學房地產研究所) which is dedicated to evaluate PRC real estate developers and releases reports with respect to top 100 real estate developers in terms of comprehensive development capacity in China every year, based on various assumptions and factors, including but not limited to scale, profitability, growth, stability, financing capacity, operating efficiency and social responsibility

recognized GFA	for the purpose of this offering memorandum, refers to (i) with respect to the portion of GFA for which revenue was recognized at a point in time, total GFA so delivered and sold in the relevant period, and (ii) with respect to the portion of GFA for which revenue was recognized over time, the GFA proportionate to the amount of revenue so recognized in the relevant period out of the total revenue to be recognized, which was further by reference to the construction progress towards completion
second-tier cities	refer to cities with an average annual residential property sales of more than RMB100 billion in the past three years, a GDP between RMB350 billion and RMB2,000 billion and a population between 5 million and 16 million, which include cities such as Wenzhou, Suzhou, Wuxi, Hangzhou, Changsha, Wuhan, Chengdu, Kunming and Nanning
sq.m.	square meters
third-tier cities	refer to cities with an average annual residential property sales between RMB8 billion to RMB100 billion in the past three years, a GDP between RMB100 billion and RMB500 billion and a population between 2 million and 8 million, which include cities such as Jinhua, Jiaxing, Taizhou, Changzhou, Yangzhou, Huzhou, Zhangzhou, Quzhou, Lishui, Ningde, Shaoguan, Zhoushan, Xuancheng and Qinzhou
Western Taiwan Straits Economic Zone	for the purpose of this offering memorandum, refers to Jiangxi Province and Fujian Province
Yangtze River Delta Economic Region	for the purpose of this offering memorandum, refers to Shanghai, Zhejiang Province, Jiangsu Province and Anhui Province

SUMMARY

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

OVERVIEW

We are a fast-growing large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. We were recognized as a top 20 real estate developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020.

Our growth is partially attributable to our implementation of various standardized modules, covering the entire value chain of property development from land acquisition, construction and development to marketing and sales, which aims to ensure high operating efficiency while maintaining relatively low operating costs and expenses. Our standardized land acquisition modules provide detailed land acquisition criteria and disciplined procedural guidance, taking various factors into consideration and applicable for various product types in different locations. We adopt multiple land acquisition methods to expand our land bank. We also implement standardized operating modules for design and development of our products. We currently offer three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鎏金系), targeting, first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each residential property series, we further fine-tune the products into two or three separate product lines. First-time home purchasers usually refer to those who buy their residential properties for the first time and are more concerned about the property's functionality, space efficient floor plan and purchase price. To cater to these purchasers, we develop properties, mainly the Star and Sea series, which are featured with well designed living spaces, basic community facilities and other amenities as well as an affordable price. First-time home upgraders usually refer to those who are already home owners and expect to improve their existing living environment. These purchasers are concerned about the upgraded and comprehensive living spaces and utilities, community landscape, community reputation and ancillary facilities. To cater to these purchasers, we develop properties, mainly the Mansion series, which are featured with multi-functional interior utilities, elegant building facade designs, and comfortable and secured community facilities. Second-time home upgraders usually refer to those who already own multiple residential properties. Such purchasers are looking not only for functionality, but also to use their homes to socialize with others to enhance their overall living experience. To cater to these purchasers, we develop properties, mainly the Metropolis series, which are featured with high quality construction materials and tasteful interior and exterior designs, large living spaces, grand and leisure community facilities that can accommodate various activities for different groups of residents.

We have established a valuable product database with over 70 sets of standardized product design models. We formulate and implement standardized marketing modules which are embedded with multiple standardized key performance indicators to evaluate and improve effectiveness of our marketing efforts. We believe our comprehensive standardized operational modules and procedures are the key to our success in rapid replication and expansion.

Our growth is also attributable to our management system, the Amoeba Ecosystem. Under our Amoeba Ecosystem, a large business group is divided into a number of small business units, so-called "Amoebas" or "Amoeba units," each of which enjoys sufficient operational autonomy and adopts a result-oriented evaluation and incentive approach, thus encouraging each employee to be actively involved in the management and to share responsibilities and benefits. Such character enables quick horizontal replication and expansion which works well with property development business due to its highly replicable nature. With sufficient autonomy, each Amoeba unit enjoys flexibility in daily operation and management, which motivates well-adapted and competent employees and inherently eliminates the incompetent ones. We believe this enhances our competitiveness and vitality. The flexibility of our Amoeba Ecosystem also enables our senior management to promptly react to ever changing market trends, capturing the emerging opportunities or minimizing the potential risks arising therefrom. Taking advantage of our Amoeba Ecosystem, we have achieved significant growth and the number of our onshore subsidiaries had increased from 541 as of December 31, 2017 to 1,240 as of June 30, 2020 and the number of our employees from over 6,360 as of December 31, 2017 to over 12,500 as of June 30, 2020.

We strive to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. Our residential property projects have also been well recognized. We also engage in the development, operation and management of commercial properties and hold a portion of such commercial properties for future investment purpose. We intend to continue to enhance and expand our product portfolio by developing new products catering to the needs of our target customers in different locations. We also plan to prudently pursue new growth opportunities by expanding into new operations that are complementary to our current business. We believe a balanced product mix will help diversify our revenue streams, generate recurring income, optimize our resources and assets allocation, and enhance the value and attractiveness of our properties located in the neighboring regions, thus making us less susceptible to any particular market segment.

As of June 30, 2020:

- we had established presence in 149 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone;

- we had 504 projects, including 364 projects developed by our subsidiaries and 140 projects developed by our joint ventures and associates, at various development stages; and

- total land bank attributable to us amounted to 50.7 million sq.m., including:

  - approximately 44.3 million sq.m. for property projects developed by our subsidiaries, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 4.8 million sq.m., properties under development with an aggregate planned GFA of approximately 33.3 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 6.2 million sq.m.; and

  - approximately 6.3 million sq.m. attributable to us for property projects developed by our joint ventures and associates, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 0.4 million sq.m., properties under development with an aggregate planned GFA of approximately 5.1 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 0.8 million sq.m.

The aggregate contracted sales of our Group, taking into account the entire contracted sales by our joint ventures and associates, were approximately RMB64.9 billion, RMB101.5 billion, RMB152.5 billion and RMB67.7 billion, respectively, for the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020. For the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020, our revenue was RMB14,026.3 million, RMB30,214.7 million, RMB56,639.6 million (US$8,016.8 million) and RMB23,766.6 million (US$3,363.9 million), respectively. We recorded a net profit of RMB498.6 million, RMB2,526.3 million, RMB6,255.9 million (US$885.5 million) and RMB2,210.2 million (US$312.8 million) in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

OUR STRENGTHS

We believe our primary competitive strengths are:

- a fast-growing large-scale comprehensive real estate developer with national footprint and an established brand name in China;

- quality land bank secured by efficient expansion strategy and strong land acquisition capabilities;

- established standardized real estate development processes ensuring execution capability;

- rapid growth underpinned by our distinctive amoeba ecosystem; and

- visionary and experienced management team.

OUR STRATEGIES

We strive to become a leading comprehensive real estate developer in the PRC. To achieve our goal, we intend to implement the following strategies:

- leverage favorable government policies and enhance leadership in existing markets and strategically expand into new regions with high-growth potentials;

- identify new growth opportunities by utilizing diversified investment strategies;

- continue to optimize our product portfolio and enhance product quality;

- continue to enhance operating efficiency by increasing standardization and intelligent management and operation;

- continue to attract, retain and motivate long-term dedicated employees; and

- remain dedicated to prudent financial policies to optimize our capital structure.

RECENT DEVELOPMENTS

The Recent Coronavirus Epidemic Outbreak

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 pandemic has adversely affected the livelihood of many people in and the economy of the PRC. The PRC central and local governments have taken various measures, including travel restrictions, to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. As a result of the timely and effective implementation of these measures, the PRC government has subsequently lowered emergency response levels to the COVID-19 pandemic since late March 2020, allowing businesses and factories to gradually reopen. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected.

Affected by the COVID-19 pandemic, property sales were delayed in early 2020. Our construction and sales activities were temporarily suspended by the ongoing COVID-19 pandemic in January 2020 to February 2020. Should the disruptions to our operations continue, we may experience delays in completion and delivery of our projects. We expect that the real estate industry will benefit from economic stimulus measures and favourable home purchase policies to be launched by the government. We believe that we are well positioned to capture the recovery in housing sales in the near future. The outbreak is however far from over, and in different countries, is showing signs of resurgence and further waves of infections are recorded everyday. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors — Risks Relating to Doing Business in the PRC — The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations."

GENERAL INFORMATION

We were incorporated in the Cayman Islands on March 22, 2018, as an exempted company with limited liability. Our shares have been listed on the SEHK since July 16, 2019. Our principal place of business in Hong Kong is at Suite 1506, ICBC Tower 3 Garden Road, Central, Hong Kong. Our head office in the PRC is at 20/F, No.3 Shanghai Convention & Exhibition Center of International Sourcing, 235 Yunling East Road Putuo District, Shanghai, China. Our registered office is located at Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Our website is *www.zldcgroup.com.* Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

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

Issuer	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司).
Notes Offered	9.5% Senior Notes due 2022 (the "Notes").
Offering Price	98.937% of the principal amount of the Notes.
Original Issue Date	October 29, 2020.
Maturity Date	July 29, 2022.
Interest	The Notes bear interest from (and including) October 29, 2020 at the rate of 9.5% per annum, payable in arrears.
Interest Payment Dates . . .	July 29, 2021, January 29, 2022 and July 29, 2022.
Ranking 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 the Existing Notes and all other unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and 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 "— Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees" of this offering memorandum;
- are effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantor 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.

Subsidiary Guarantees and JV Subsidiary Guarantees	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; *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees or JV Subsidiary Guarantees." The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Heng Rong Co., Limited, Zhongliang Hongkong Property Investment Group Co., Limited, Zhongliang International Development Company Limited and Ample Sino Investments Limited (collectively, the "Initial Subsidiary Guarantors"). Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the "Initial Other Non-Guarantor Subsidiaries") nor those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. 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 "New Non-Guarantor Subsidiaries," and together with the Initial Other Non-Guarantor Subsidiaries, 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.

Rankings of the Subsidiary Guarantees and JV 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. 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 Notes, Subsidiary Guarantees and JV Subsidiary Guarantees."
Use of Proceeds	The net proceeds from this offering will be approximately US$195.5 million, which we plan to use for refinancing of existing indebtedness. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

Optional Redemption	At any time prior to July 29, 2022, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to July 29, 2022, the Company may, at its option, 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 109.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (if any) to (but not including) the Offer to Purchase Payment Date.
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, 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 for redemption, if the Company or a Surviving Person 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."

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. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration.	The Notes will be issued only in fully registered form without coupons, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.
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 against payment in same-day funds on or about October 29, 2020, which the Company expects will be the fifth business day following the date of the offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the "T+5" settlement. See "Plan of Distribution."
Trustee	China Construction Bank (Asia) Corporation Limited.

Paying and Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited.
Ratings	The Notes are expected to be rated B+ by Fitch Ratings and BB by Lianhe Global. We have been assigned a long-term corporate credit rating of B1 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.
Listing and Trading	Application will be made to the SEHK for the listing of the Notes by way of debt issues to Professional Investors only.
Security Codes	**ISIN**: XS2247412518; **Common Code**: 224741251
Governing Law	The Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

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 and the summary 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 years and as of such dates, as audited by Ernst & Young, 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 and the summary consolidated financial position as of 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 Ernst & Young, our independent certified public accountants in accordance with IFRS. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from 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. 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

	Year Ended December 31,				Six Months Ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands, except for percentages)						
				(Unaudited)	(Unaudited)		(Unaudited)
Revenue	**14,026,299**	**30,214,688**	**56,639,596**	**8,016,814**	**20,556,565**	**23,766,642**	**3,363,950**
Cost of sales	(11,166,324)	(23,303,847)	(43,457,345)	(6,150,988)	(15,522,059)	(18,404,563)	(2,604,997)
Gross profit	**2,859,975**	**6,910,841**	**13,182,251**	**1,865,827**	**5,034,506**	**5,362,079**	**758,953**
Other income and gains	24,517	95,045	233,873	33,103	83,577	105,501	14,933
Selling and distribution expenses	(823,698)	(1,333,901)	(2,030,081)	(287,339)	(1,007,433)	(945,119)	(133,773)
Administrative expenses	(701,224)	(1,648,265)	(2,549,711)	(360,888)	(1,055,179)	(1,182,583)	(167,384)
Impairment losses on financial assets	(2,162)	(10,964)	(9,870)	(1,397)	(5,014)	(3,095)	(438)
Other expenses	(20,333)	(197,760)	(255,162)	(36,116)	(41,527)	(162,218)	(22,960)
Fair value gains on investment properties	261,898	71,971	49,855	7,057	29,093	41,176	5,828
Fair value (losses)/gains on financial assets at fair value through profit or loss	(5,378)	(4,039)	(6,880)	(974)	210	(21,221)	(3,004)
Finance income	150,805	353,711	515,645	72,985	192,294	159,055	22,513
Finance costs	(356,320)	(433,466)	(466,533)	(66,033)	(250,853)	(196,489)	(27,811)
Share of profits and losses of:							
Joint ventures	(134,844)	(82,242)	979,353	138,618	44,095	(19,648)	2,781
Associates	14,649	717,545	255,371	36,145	169,559	499,394	70,685
Profit before tax	**1,267,885**	**4,438,476**	**9,898,111**	**1,400,987**	**3,193,328**	**3,636,832**	**514,760**
Income tax expense	(769,311)	(1,912,189)	(3,642,203)	(515,520)	(1,294,640)	(1,426,678)	(201,933)
Profit for the year	**498,574**	**2,526,287**	**6,255,908**	**885,466**	**1,898,688**	**2,210,154**	**312,827**
Attributable to:							
Owners of the parent	502,667	1,931,336	3,833,699	542,625	1,204,108	1,205,787	170,668
Non-controlling interests	(4,093)	594,951	2,422,209	342,841	694,580	1,004,367	142,159
	498,574	2,526,287	6,255,908	885,466	1,898,688	2,210,154	312,827
Other Financial Data (Unaudited)							
EBITDA[(1)]	2,384,228	6,263,819	12,110,370	1,714,112	4,097,111	5,063,249	716,656
EBITDA margin[(2)]	17.0	20.7	21.4	21.4	19.9	21.3	21.3

Notes:

(1) EBITDA for any period consists of operating profit before fair value gains on the investment properties fair value gains or losses on financial assets at fair value through profit or loss, share of profits or losses of joint ventures or associates and listing expenses plus finance costs and depreciation, amortization expenses and interest capitalized in cost of sales. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. 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)
Non-current assets						
Property, plant and equipment	49,999	105,269	117,679	16,656	94,284	13,345
Investment properties	791,000	928,900	1,196,550	169,361	1,595,150	225,779
Right-of-use assets	—	—	144,809	20,496	108,460	15,352
Other intangible assets	570	455	8,128	1,150	6,714	950
Investments in joint ventures	415,602	2,584,059	3,240,364	458,644	3,606,510	510,468
Investments in associates	437,704	2,113,159	6,749,631	955,348	11,993,056	1,697,507
Deferred tax assets	980,902	1,852,380	2,932,066	415,007	3,447,339	487,939
Prepayments and other receivables	46,202	96,202	—	—	919,746	130,182
Total non-current assets	2,721,979	7,680,424	14,389,227	2,036,663	21,771,259	3,081,522
Current assets						
Financial assets at fair value through profit or loss	297,171	228,757	290,723	41,149	410,383	58,086
Properties under development	61,379,980	99,481,406	128,779,890	18,227,610	137,665,112	19,485,232
Completed properties held for sale	2,302,650	3,596,396	4,140,691	586,077	7,283,954	1,030,977
Trade receivables	—	4,354	3,035	430	6,299	892
Due from related companies	7,294,042	9,841,443	9,446,200	1,337,023	10,822,173	1,531,779
Prepayments and other receivables	7,713,749	22,209,895	38,283,718	5,418,709	41,325,540	5,849,251
Tax recoverable	1,016,518	1,951,577	2,691,238	380,920	3,107,995	439,908
Cash and bank balances	16,484,323	23,080,364	26,495,261	3,750,161	35,021,412	4,956,959
Total current assets	96,488,433	160,394,192	210,130,756	29,742,078	235,642,868	33,353,083
Current liabilities						
Trade and bills payables	4,839,542	8,498,295	12,060,536	1,707,058	12,645,198	1,789,812
Other payables and accruals	4,316,682	20,476,168	19,019,087	2,691,977	20,745,390	2,936,319
Contract liabilities	51,891,569	95,482,250	115,873,077	16,400,770	125,095,791	17,706,160
Due to related companies	9,849,122	7,419,138	11,985,635	1,696,457	15,819,521	2,239,108
Interest-bearing bank and other borrowings	7,561,064	14,468,672	20,125,313	2,848,553	17,920,843	2,536,531
Lease liabilities	—	—	46,234	6,544	88,014	12,458
Tax payable	1,182,504	1,960,281	3,406,783	482,199	3,690,789	522,397
Provision for financial guarantee contracts	—	84,869	31,364	4,439	47,244	6,687
Other financial liabilities	40,991	59,284	92,378	13,075	93,573	13,244
Senior notes	—	—	1,378,045	195,050	5,054,138	715,367
Total current liabilities	79,681,474	148,448,957	184,018,452	26,046,121	201,200,501	28,478,083
Net current assets	**16,806,959**	**11,945,235**	**26,112,304**	**3,695,957**	**34,442,367**	**4,875,001**
Total assets less current liabilities	**19,528,938**	**19,625,659**	**40,501,531**	**5,732,620**	**56,213,626**	**7,956,522**
Non-current liabilities						
Interest-bearing bank and other borrowings	16,915,281	12,536,245	15,860,556	2,244,916	27,042,777	3,827,657
Lease liabilities	—	—	100,210	14,184	42,500	6,015
Deferred tax liabilities	259,906	335,182	851,884	120,576	890,958	126,107
Senior notes	—	—	2,817,326	398,767	2,791,595	395,125
Total non-current liabilities	17,175,187	12,871,427	19,629,976	2,778,443	30,767,830	4,354,904
Net assets	**2,353,751**	**6,754,232**	**20,871,555**	**2,954,177**	**25,445,796**	**3,601,619**
Equity						
Equity attributable to owners of the parent						
Share capital	—	85	31,450	4,451	31,450	4,451
Reserves	234,717	2,578,591	8,696,650	1,230,931	8,844,857	1,251,908
	234,717	**2,578,676**	**8,728,100**	**1,235,382**	**8,876,307**	**1,256,360**
Non-controlling interests	**2,119,034**	**4,175,556**	**12,143,455**	**1,718,794**	**16,569,489**	**2,345,259**
Total equity	**2,353,751**	**6,754,232**	**20,871,555**	**2,954,177**	**25,445,796**	**3,601,619**

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

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the Yangtze River Delta Economic Region.

Our business and prospects depend on the performance of the PRC property market. As of June 30, 2020, we had a total of 504 property projects, including 364 projects developed by our subsidiaries and 140 projects developed by our joint ventures and associates, covering 149 cities in China at various stages of development. We intend to continue to enhance our presence in these regions in China, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. These property markets may be affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any general market downturn in China or in cities in which we have or expect to have operations may materially and adversely affect our business, financial condition and results of operations. Moreover, any oversupply of properties or potential decline in demand for or prices of properties in these cities could also have a material adverse impact on us.

In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, approximately 97.7%, 94.9%, 72.8%, 84.0% and 48.7%, respectively, of our revenue from sales of properties was derived from the Yangtze River Delta Economic Region. As of June 30, 2020, we had a total land bank attributable to us of approximately 50.7 million sq.m., of which, approximately 21.2 million sq.m. were located in the Yangtze River Delta Economic Region. As we expect that the property projects located in the Yangtze River Delta Economic Region will continue to contribute to the majority of our revenue in the near future, our business, financial condition and results of operations may be particularly subject to the market uncertainties, volatility and significant adverse change in the real estate market of the Yangtze River Delta Economic Region.

In particular, the PRC property market is affected by the recent slowdown of China's economic growth. There have been increasing concerns over the sustainability of the real estate market growth in China. Factors such as decrease in available funds and investor confidence may negatively impact the demand for the properties we developed. As a result, the property market may experience oversupply of properties and idle housing inventory. Any oversupply 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 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 our development at commercially acceptable prices, or at all.

The sustainable growth and success of our business depend significantly on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our projects. We acquire land for our projects through the listing-for-sale process, auctions and public tenders organized by the relevant government authorities, by cooperating with third-party business partners through joint ventures and associates and by acquiring target projects or target project companies from third parties.

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

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

Property development is capital intensive and we expect to continue to incur a high level of capital expenditures in the foreseeable future. We finance our property projects primarily through proceeds from the pre-sales and sales of our properties and borrowings from financial institutions including CBIRC-licensed commercial banks as well as trust financing and asset management companies. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including but not limited to:

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

The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector. For example:

- the PBOC has adjusted the Renminbi deposit reserve ratio several times since 2010;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;
- PRC commercial banks and trust companies are prohibited from granting loans to real estate developers to pay land premiums;
- the State Council has issued rules requiring that at least (i) 20% of total investment for affordable housing or ordinary commercial housing development projects is funded by the developer's own capital; and (ii) 25% of the total investment for all other types of property development projects is funded by the developer's own capital;
- the CBRC has issued rules governing the establishment, operation and financing activities of trust companies in 2007, including the provision of such financing to real estate developers; and

- the Opinions on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) jointly issued by the PBOC, CBIRC, the China Securities Regulatory Commission and SAFE on April 27, 2018 (which is applicable to banks, trust companies, asset management companies and other types of financial institutions) has tightened the regulation in relation to the asset management business of all kinds of financial institutions.

Operation of the trust companies in the PRC are primarily regulated by the CBIRC pursuant to the "Rules Governing Trust Companies" (《信託公司管理辦法》), which came into effect on March 1, 2007. Trust companies are therefore under the supervision and monitoring of the CBIRC and are required to comply with all notices and regulations promulgated by the CBIRC.

In addition, pursuant to Notice on Issuing Administrative Rules No. 4 for Filing of Private Placement Assets Management Plans by Securities & Future Business Institutions (the "Administrative Rules No. 4 for Filing") (《關於發佈〈證券期貨經營機構私募資產管理計劃備案規範第4號〉的通知》), which was issued on February 13, 2017 by the Asset Management Associate of China, any investment in the real estate developers and projects under the private placement asset management plans newly established by securities/futures business institutions shall meet the requirements of Administrative Rules No. 4 for Filing; the existing products shall not add any new investment project that does not meet the requirements of the Administrative Rules No. 4 for Filing; if a project that an existing product has invested in cities under the circumstances prohibited under Article 1, 2 or 3 of the Administrative Rules No. 4 for Filing, the relevant investment project may not be renewed upon expiration. The Administrative Rules No. 4 for Filing applies to investment by the private placement fund managers that carry out private placement investment fund business in real estate developers and projects. Where a securities/futures business institution establishes a private placement assets management plan to invest in the ordinary residential housing projects in the cities where the real estate price is soaring, such a plan shall not be filed for record. Private placement asset management plans shall neither finance real estate developers for paying land acquisition price or replenishing working capital by means of entrusted loan, trust plan or transfer of right to earnings of the assets (beneficiary right), nor facilitate, directly or indirectly, any violation of laws and regulations such as issuance of loans for down payment.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and trust loan arrangements to finance our property projects. For example, we are limited as to the development activities in which such financing can be used. In addition, the amount, timing and cost of funding available to us are also adversely affected, so are the collaterals used to secure such financing. We cannot assure you that the PRC government will not introduce other initiatives, which may further limit our access to capital and the means we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. Furthermore, given the growth in trust loan arrangements provided to PRC real estate developers, the PRC government may implement more stringent measures to control risks in loan growth, including, among others, more stringent review procedures that trust companies are required to adopt when considering applications for trust loan and remedial actions that trust companies 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 companies can make available for the PRC property development industry. If such measures were to happen, our ability to obtain trust loan might be adversely affected, which will in turn adversely affect the anticipated growth of our business in the future and prospects.

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

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks and trust loan providers. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As all of our borrowings are in Renminbi, the interest rates on our borrowings are affected by the benchmark interest rates set by the PBOC, which may fluctuate significantly. The weighted average effective interest rates on our total borrowings outstanding as of

December 31, 2017, 2018 and 2019 and June 30, 2020 were 7.9%, 9.9%, 9.4% and 8.9%, respectively. There is no assurance that our effective interest rate may not be adversely affected. For example, any future increases in the PBOC benchmark interest rates as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

We may not be able to effectively maintain and manage our Amoeba Ecosystem, which has been a key to our past success.

We have established and implemented our Amoeba Ecosystem since 2015, which has enabled us to effectively cultivate our corporate culture, enhance our employee evaluation and incentive system and achieve a rapid growth. However, our Amoeba Ecosystem may exhibit certain inherent internal control weaknesses. Firstly, our Amoeba Ecosystem is featured with a result-oriented evaluation and incentive approach, which may lead the Amoeba units to make reckless decisions during their operations to achieve short-time returns yet causing unnecessary competition among Amoeba units. This, in turn, may cause violations of our internal control procedures or corporate governance policies, as well as the applicable laws and regulations. For example, some of our subsidiaries were punished for commencing construction before completing requisite administrative procedures or obtaining requisite permits in the past, partly due to their negligence in monitoring the construction contractors driven by the ambition to shorten the property construction time.

Secondly, each of our Amoeba units enjoys sufficient autonomy during the operation. Given our current scale and the highly replicable nature of our Amoeba Ecosystem, without sufficient communication and monitoring, such autonomy may lead to a delay by our headquarters in identifying, and subsequently rectifying any non-compliance incidents of any existing Amoeba units, or any unauthorized actions or misconduct of our employees. Such non-compliance incidents, unauthorized actions or misconducts may fail the purpose of our Amoeba Ecosystem, damage the integration and reputation of our Group, and further prevent us from successful and effective expansion.

Thirdly, our Amoeba Ecosystem comprises incentive plans and evaluation policies aiming to motivate our employees. If we fail to design, implement or continuously improve our incentive plans and evaluation policies, or if such plans and policies, including the associated systematic divisional accounting system, are perceived unfair by our employees, their trust in our Amoeba Ecosystem may be compromised and we will not be able to attract, motivate and retain our employees effectively. The losses to our skilled and experienced management and other employees will adversely affect our growth, business operations and prospects.

Lastly, each of the abovementioned potential risks may be exaggerated along with our expanding geographic coverage and increasing numbers of the Amoeba units and employees. If we fail to maintain the integrity and effectiveness of our Amoeba Ecosystem, our corporate culture, reputation, business and prospects may be adversely affected.

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

We have experienced a rapid growth in recent years. In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions in the PRC with potential for growth and where we have no existing operations. Our historical focus was primarily on the development of residential property projects in the third- and fourth-tier cities and areas adjacent to the first- and second-tier cities in China. As of June 30, 2020, we had established presence in 149 cities in China with a total land bank attributable to us of approximately 50.7 million sq.m., of which, approximately 21.2 million sq.m. were located in the Yangtze River Delta Economic Region. We currently intend to continue to expand our operations nationwide and further enhance our penetration in the second-tier cities. Additionally, we have expanded our business operations from development of residential properties to commercial properties.

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

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

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

We had negative operating cash flow in 2017 and 2019 and the six months ended June 30, 2020 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments on commercially reasonable terms, or at all.

We had negative cash flow from operating activities of approximately RMB6,837.8 million, RMB20,329.0 million (US$2,877.4 million) and RMB7,854.7 million (US$1,111.8 million) for 2017 and 2019 and the six months ended June 30, 2020, respectively, primarily as a result of significant net cash used in operations due to our continued increase in property development activities and strengthened land acquisition efforts. We also had negative cash flow from investing activities of approximately RMB11,506.6 million, RMB5,021.1 million (US$ 709.4 million) and RMB7.060.1 million (US$999.3 million) for 2018, 2019 and the six months ended June 30, 2020, respectively. 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.

We mainly rely on internal resources generated from our operations, including proceeds from the pre-sales and sales of our properties, as well as external financings, such as borrowings from commercial banks, trust loans, asset management arrangements, other borrowings from third parties (other than banks and financial institutions), and capital contribution from non-controlling shareholders. Negative operating cash flow may require us to obtain sufficient additional financing to meet our financing needs and obligations and support our expansion plans. In the event that we are unable to generate sufficient cash flow for our operations or otherwise obtain sufficient external funds to finance our business, our liquidity and financial condition may be materially and adversely affected and we may not be able to expand our business. 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 favorable 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 have substantial indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We maintain a substantial level of borrowings to finance our operations. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total outstanding bank loans and other borrowings amounted to approximately RMB24,476.3 million, RMB27,004.9 million, RMB40,181.2 million (US$5,687.3 million) and RMB52,809.4 million (US$7,474.7 million), respectively. We may from time to time in the future consider other debt financing opportunities to refinance our existing loans and support our business expansion, such as the issuance of corporate bonds or the launch of asset-backed securities programs. In addition, we have in the past entered into, and may from time to time in the future enter into, investment agreements or framework agreements for our future projects, under which we may be required to make capital commitments. We also incurred borrowings from our related parties in 2017, 2018 and 2019 and the six months ended June 30, 2020. Subsequent to June 30, 2020, we have incurred additional indebtedness. For details, see the section entitled "Related Party Transactions."

Our indebtedness could have an adverse effect on us, for example by increasing our vulnerability to adverse economic or industry conditions, such as significant increases in interest rates, and limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development and we may also utilize proceeds from additional debt financings to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among others, prevailing economic conditions, PRC governmental regulation, the 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 service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. If we are unable to fulfill our repayment obligations under our borrowings, or otherwise comply with the restrictions and covenants in our current or future bank loans, corporate bonds and other agreements, there could be a default under the terms of those agreements. In the event of a default under those agreements, our lenders may accelerate the repayment of our outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clauses may also be triggered as a result. If any of such events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

We are subject to risks associated with certain covenants or restrictions under our borrowings, which may adversely affect our business, financial condition and results of operations.

We are subject to certain restrictive covenants under the terms of our bank loans, trust financing and asset management arrangements, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among others, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our subsidiaries' capital stock, repurchase our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans. Pursuant to the respective agreements, trusts companies and asset management companies may have veto rights over some of our abovementioned corporate actions, which will further limit our flexibility in operation and ability to raise additional funding. Certain of our banking facilities also contain cross-default provisions that if our relevant subsidiary defaults on the borrowing with the commercial banks, their affiliated commercial institutions, and/or other commercial financial institutions, as provided under the loan agreement, such an action may constitute an event of default and the relevant commercial banks would be entitled to accelerate payment of all or any part of the outstanding indebtedness and may terminate all commitments to extend further credit. Moreover, our trust and other financings are generally secured by a pledge or transfer of the legal titles of the relevant project subsidiaries, and/or a lien on the land use right or the development project. If we are in default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in those project subsidiaries, our proportionate share of the asset value of the relevant property projects, land use rights or our development projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness — Trust Financing and Asset Management Arrangements."

We cannot assure you that we will always be able to abide by all restrictive covenants and cross-default provisions of any of our loan contracts in the future. Should we fail to abide by these provisions, our lenders may be entitled to exercise certain rights as provided under the relevant contracts, including but not limited to accelerating the repayment of our loans, in which case our business, financial condition and results of operations may be adversely affected.

The China Banking Regulatory Commission and/or other government agencies of the PRC may tighten the regulations relating to trust loans being provided to the property industry in the PRC, which may affect our ability to obtain trust loans.

We had certain trust loan arrangements. As of June 30, 2020, the total outstanding principal of our trust financing and asset management arrangements amounted to approximately RMB16,010.5 million (US$2,266.1 million). There are uncertainties regarding trust loan. The operation of trust companies in the PRC is primarily regulated by the China Banking Regulatory Commission (the "CBRC") pursuant to the Rules Governing Trust Companies (《信託公司管理辦法》), which came into effect on March 1, 2007, and relevant regulations are published and updated from time to time. Trust 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. According to the Notice of the CBRC on the Relevant Issues concerning Supporting the Innovation and Development of Trust Companies (《中國銀監會關於支持信託公司創新發展有關問題的通知》) promulgated by the CBRC on 25 March 2009, Notice of General Office of the CBRC on Strengthening Supervision over the Real Estate Trust Business of Trust Companies (《中國銀監會辦公廳關於加強信託公司房地產信託業務監管有關問題的通知》) promulgated by the CBRC on February 11, 2010 and Notice of General Office of CBRC on Risk Warning for Real Estate Trust Businesses of Trust Companies (《中國銀監會辦公廳關於信託公司房地產信託業務風險提示的通知》) promulgated by the general office of the CBRC on November 12, 2010, trust companies shall not provide loans to property developers which (i) have not obtained land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, (ii) have not met the minimum capital ratio requirement for real estate development projects, or (iii) whose controlling shareholders do not have second-level or above qualification. Under the above rules and notices, we are unable to obtain any trust loan from trust companies before our project companies obtaining the land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, and meeting the minimum capital ratio requirement. Accordingly, we are unable to use trust loans from trust companies to finance the land premium, and under normal circumstance, any trust loan that we could obtain can only be used for the relevant project development. We cannot assure you that the PRC government will not implement additional or more stringent requirements with regard to trust financing companies. If additional or more stringent requirements with regard to trust companies have been implemented, it 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.

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

Historically, we have derived our revenue principally from the sales of properties we developed. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we generated 99.2%, 99.3%, 99.5% and 99.5%, respectively, of our revenue from the sales of properties. According to our accounting policies, revenue of sales of properties may be recognized over time or at a point in time when control of our properties is transferred, depending on terms of pre-sale/sales contracts with detailed project completion and delivery schedule. Revenue recognized at a point in time, depending on the type of properties and the revenue generated, typically takes one to two years from the commencement of pre-sale to the construction completion of our properties before we recognize revenue from such projects. Depending on the terms of the pre-sale/sales contracts, our revenue is recognized over time with reference to the construction progress of our relevant property projects. Therefore, our ability to benefit may fluctuate due to factors such as the schedule of our property development, construction schedules, the online pre-sale filing process the market demand for our properties and the timing of property sales. Consequently, our results of operations for any given period only reflect decisions made by our customers some time ago and may not be indicative of our actual operating results during such period. In addition, cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. Such cyclicality, together with the time required and statutory time limits for the completion of projects and the sales of properties, cause our results of operations relating to property development activities susceptible to significant fluctuations from period to period. As a result, it can be difficult to predict our future performance.

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 volatility of the real estate market may subject us to risks in connection with possible impairment losses for properties under development as well as completed properties held for sale, if we fail to complete the construction or sell the properties in time at our desired prices. Impairment losses may arise when the carrying value of a property exceeds its recoverable amount. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded impairment losses recognized for properties under development in the amount of RMB6.0 million, RMB54.8 million, RMB223.6 million (US$31.6 million) and RMB152.8 million (US$21.6 million), respectively. During the same periods, we recorded impairment losses write-off for completed properties held for sale in the amount of RMB71.6 million, RMB53.0 million, RMB57.9 million (US$8.2 million) and RMB87.7 million (US$12.4 million), respectively. We cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future.

There are uncertainties about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had deferred tax assets of RMB980.9 million, RMB1,852.4 million, RMB2,932.1 million (US$415.0 million) and RMB3,447.3 million (US$487.9 million), respectively, which mainly represented the unrealized revenue in contract liabilities and unused tax losses from our group expenses. We periodically assess the probability of the realization of deferred income tax assets. Deferred tax assets are recognized and measured based on the expected manner of realization or settlement of carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. In determining the carrying-over amounts of deferred tax assets, expected taxable profits are estimated based on a number of assumptions relating to our operating environment requiring significant level of judgment exercised by our directors. However, there is no assurance that our expectation of future earnings would be accurate due to factors beyond our control, such as general economic conditions and negative development of regulatory environment, in which cases we may not be able to recover our deferred income tax assets that could have an adverse effect on our results of operations.

Our results of operations, financial condition and prospects may fluctuate subject to the fair value changes in our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement and the use of significant unobservable inputs in the valuation techniques.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, we purchased wealth management products from reputable commercial banks and other financial institutions, mainly low-risk funds in the PRC, for our treasury management purposes. We recorded a fair value loss on financial assets at fair value through profit or loss of RMB5.4 million, RMB4.0 million, RMB6.9 million (US$1.0 million) and RMB21.2 million (US$3.0 million) in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Such fair value loss on financial assets arose from the realization of the investment income upon disposal of certain wealth management products, which caused a decrease in the fair value of our remaining unrealized financial assets. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our financial assets at fair value through profit or loss amounted to RMB297.2 million, RMB228.8 million, RMB290.7 million (US$41.1 million) and RMB410.4 million (US$58.1 million), respectively.

The wealth management products are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements, therefore directly affecting our results of operations. We used to incur fair value losses for financial assets at fair value through profit or loss in 2017, 2018 and 2019 and the six months ended June 30, 2020. There is no assurance that we will not incur such similar fair value losses in the future. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We recorded certain one-off gains in 2017, 2018 and 2019 and the six months ended June 30, 2020, which may not recur in the future.

We recorded certain non-recurring one-off gains in 2017, 2018 and 2019 and the six months ended June 30, 2020, including gains on disposal of subsidiaries and associates during our corporate restructuring, and various government grants. Such gains aggregated to RMB15.3 million, RMB61.8 million and RMB47.0 million (US$6.7 million) and RMB59.8 million (US$8.5 million) in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. While such gains have had certain direct impact on our profit for the relevant periods, they are non-recurring in nature. Therefore, we may not record such gains, at the same level or at all, in the future, which may in turn materially affect our profitability.

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

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

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

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;

- changes in relevant regulations and government policies;

- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may negatively impact our reputation as a real estate developer, further causing loss of or delay in our recognizing revenues and returns. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to late delivery compensation or even terminate the pre-sale agreements and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

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 real estate industry in the PRC is heavily regulated. Real estate developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development, we must apply to the relevant government authorities to obtain (and renew for those relating to ongoing operations) various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sales permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit. Some of our PRC subsidiaries are currently in the process of renewing their qualification certificates. If we fail to obtain or renew the certificates in a timely manner, the relevant government authorities may impose administrative penalties on us and our operations may be adversely affected.

In addition, we may not be able to adapt to new rules and regulations that may come into effect from time to time with respect to the real estate industry or we may encounter material delays or difficulties in fulfilling 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 or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

We engage third parties to carry out various services relating to our property development projects, including project design, pile setting, foundation building, construction, equipment installation, elevator installation and landscaping. We generally select these third-party service providers or contractors through tender processes. Completion of our projects is subject to the satisfactory performance by these third parties under their contractual obligations, including their adherence to our quality standards and the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third parties will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party service provider or contractor is proved unsatisfactory, or if any of them is in breach of their contractual obligations due to their financial difficulties or other reasons, we may need to replace such service provider or contractor or take other remedial actions, which could materially and adversely affect the construction progress of our projects and our reputation, credibility, financial position and business operations. We may also be subject to various customer complaints if our customers are unsatisfied with the quality of our projects after delivery due to the failure of such third-party service providers, in particular, the contractors, to meet our quality standards. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. Moreover, we may also be subject to risks, including but not limited to administrative penalties and impaired reputation, if our third-party service providers, particularly the contractors, fail to comply with the relevant laws and regulations. For example, in 2017, one of our project companies was found jointly liable with other parties, including the general contractor and the project supervisory company, for a work safety accident taken place on the construction site. For more details, refer to "Business — Our Project Operation and Management — Project Monitoring and Control."

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

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, business partners or other third parties, and may face significant liabilities as a result.

We have been and may from time to time be involved in disputes with various parties involved in the development, sale, leasing and management of our properties, including contractors, suppliers, construction workers, purchasers, tenants and business partners, or other third parties. These disputes may lead to protests or legal or other proceedings and may result in damages to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our properly developments. We believe that none of these legal proceedings or claims will have a material adverse impact on us. However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement in these disputes may materially and adversely affect our business, financial condition and results of operations.

We face risks related to the pre-sales of properties from any potential limitations or restrictions imposed by the PRC government as to such activities and claims from customers in the event the pre-sold properties are not delivered or completed on time.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide remedies for breach of these undertakings. For example, if we fail to deliver the development of units which we have pre-sold, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or the relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and bring claims for additional compensation. A purchaser may also terminate his or her contract with us and/or bring claims for compensation for certain other contract disputes, including, for example, if the GFA of a relevant unit, as set out in the individual building ownership certificate, deviates by more than 3% from the GFA as set out in the contract; if the floor plan of a relevant unit is different from what is set out in the contract and adversely affects the quality and functionality of the unit; if the interior decoration of a relevant unit is inferior to what is set out in the contract; or if the purchaser fails to receive the individual property ownership certificate within a statutory period due to our fault.

We cannot assure you that we will not breach these undertakings. Though we are typically able to claim compensations from our contractors pursuant to the terms of our contracts with them if such breach is due to them, we also cannot assure you that we will always successfully recoup full compensations from our contractors. If we experience material delays in delivering our properties in the future or are required to pay significant amount of compensations to our purchasers due to contractual disputes or other reasons, our results of operations may be materially and adversely affected.

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

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

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

Our properties developed for sale are subject to LAT. Under the PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT on the appreciation of land value at progressive rates ranging from 30% to 60%. We only prepay a portion of such provisions each year as required by the local tax authorities. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded approximately RMB452.9 million, RMB1,183.6 million, RMB1,226.5 million (US$173.6 million) and RMB481.5 million (US$68.2 million), respectively, as provisions for LAT expenses.

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

The interests of our company can be readily influenced by our controlling shareholders.

Mr. Yang Jian and Ms. Xu Xiaoqun, Mr. Yang Jian's spouse, had effective control of 82.94% of our issued share capital as of the date of this offering memorandum. Mr. Yang Jian is the executive director and chairman of our Board and is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. The interests of our controlling shareholders may not be consistent with our interests or those of our creditors, including holders of the Notes. To the extent that there are conflicts of interest between our controlling shareholders and our company or our creditors, we cannot assure you that our controlling shareholders will not cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

Our property development business is subject to customer claims.

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

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

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

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

Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land grant premium by stipulated deadlines, we may be subject to late payment penalties at the rate of 0.1% of the unpaid land premium per day, or the repossession of the land by the government. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land authorities may impose an idle land fee of up to 20% of the land grant premium. If we fail to commence development for more than two years after the commencement date stipulated in the land grant contracts, our land use rights are subject to forfeiture by the PRC government unless the delay in development is caused by government actions or *force majeure*. Moreover, even if we commence development of the land in accordance with the land use rights grant contracts, if our developed land area is less than one-third of the total land area, or if our total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project in the project proposal, or if the development of the land is suspended for over a year without government approval, our land may also be treated as idle land.

There are specific enforcement rules on idle land and other aspects of land use rights grant contracts in many cities in the PRC, and the local authorities enforce such rules in accordance with instructions from the central government of the PRC. Where a rightholder to a plot of state-owned land for construction conducts malicious hoarding or speculation of the land, current measures in place require the competent land authorities not to accept any applications for new land use rights or process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of any idle land before such holder completes the requisite rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred from the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contracts as a result of delays in project development or other factors, we may lose the opportunity to develop our project, as well as our past investment in the land, which could materially and adversely affect our business, financial condition and results of operations.

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

Pursuant to relevant PRC regulations, parties to a lease agreement are required to register the lease agreements and obtain property leasing filing certificates for their leases. We lease certain properties from independent third-party landlords mainly for our office premises. Failure to register the lease agreements does not affect the validity of our lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The registration of these lease agreements to which we are a tenant requires additional documents to be provided by the respective landlords, which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. See "Business — Leased Properties for Self-use" for more details.

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

As a real estate 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 required to cease advertising, remedy adverse effects and turn in a fine amounting three to five times of our advertising fees. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, deteriorate our brand name and reputation, and consequently materially and adversely affect our business, financial condition and results of operations.

The illiquidity of property investments and lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our properties.

We strategically retain certain quality commercial properties as investment properties to generate rental income or for land appreciation purpose. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had investment properties amounting to RMB791.0 million, RMB928.9 million, RMB1,196.6 million (US$169.4 million) and RMB1,595.2 million (US$225.8 million), respectively. Our investment property portfolio may expand in the future but the fair value of such properties may fluctuate as at the end of each period. Investment properties are generally illiquid and our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell an investment property which is subject to a lease agreement, we may have to obtain consent from or pay termination fees to the tenants. We may also incur capital expenditures to manage and maintain our properties, or to correct defects or make improvements to those properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all.

Furthermore, aging of investment properties, changes in economic and financial condition beyond our control, such as changes in interest rates or changes in the competitive landscape in the PRC property market may adversely affect the amount of rental income we generate from, as well as the fair value of our investment properties, either completed or under development. However, our ability to convert any of our investment properties to alternative uses is limited 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 such approvals and financing can be obtained when needed. Such and other factors that impact our ability to respond to adverse changes in the performance of our investment properties may adversely affect our business, financial condition and results of operations.

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

We are required to reassess the fair value of any investment properties that we hold. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external appraisers. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the periods when they arise and the impact may be significant. The fair value gains on our investment properties in 2017, 2018 and 2019 and the six months ended June 30, 2020 were RMB261.9 million, RMB72.0 million, RMB49.9 million (US$7.1 million) and RMB41.2 million (US$5.8 million), respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. Nevertheless, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

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

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

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

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB20,816.3 million, RMB28,897.3, RMB51,717.8 million (US$7,320.2 million) and RMB56,210.6 million (US$7,956.1 million), respectively. We have encountered defaults by purchasers in the past, where we repaid all outstanding amounts owed by the purchasers to the mortgagee banks under relevant loans. We cannot assure you that defaults by purchasers will not occur or that the rate of such defaults will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, or there is a material depreciation in the market value of the relevant properties, or we cannot resell such properties due to unfavorable market conditions or for other reasons, our financial condition and results of operations may be materially and adversely affected.

Changes in accounting standards applicable to our business and changes in our judgments and assumptions in applying these accounting standards may have a material impact on our results of operation and financial position.

When preparing the financial information of our Group, we adopted IFRS 15 "Revenue from contracts with customers," or IFRS 15, in lieu of IAS 18 "Revenue," or IAS 18, and other applicable accounting standards, consistently throughout the years ended December 31, 2017, 2018 and 2019. It is mandatory to apply IFRS 15 for the period beginning on or after January 1, 2018 and an early adoption is also permitted. For more information on the revenue recognition under IFRS 15, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates." Accounting standards applicable to our business may be changed or amended from time to time in the future. Any changes in these accounting standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities, which could have material impacts on our results of operations and financial position. In addition, in applying these accounting standards, we are required to make judgments, estimates and assumptions with respect to our revenue, expenses, assets, liabilities and other factors that we consider to be relevant. Moreover, the International Accounting Standards Board may in the future issue new and revised standards and interpretations. Interpretations on the application of the IFRS will also continue to develop. These factors may require us to adopt new accounting policies from time to time in the future. The adoption of new accounting policies or new IFRS in the future could have a significant impact on our financial position and results of operations.

Our property leasing and commercial property management businesses may subject us to a variety of risks.

We have commenced the property leasing and commercial property management and started to generate rental income from the second half of 2018. We are subject to risks incidental to the ownership and operation of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from ongoing maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or increase rental rates to the then prevailing market rates, or at all, upon expiration of the existing terms. Likewise, we may not be able to enter into new leases at rental rates as expected. All these factors could negatively affect the demand for our investment properties, and as a result, decrease our rental income, which in turn adversely affect our business, financial condition and results of operations.

The performance of our commercial property management business depends on various factors, including our ability to provide professional and quality property management services, collect property management fees and control costs, particularly labor costs. We are generally paid fixed management fees for our services regardless of the actual costs we incur. In addition, for properties not owned by us, in order to raise our management fees, we are required to complete certain administrative and other procedures, including obtaining approvals of the property owner's general meeting. Management fees may also be subject to price range set by applicable government guidances. In the event that the property management fees we charge are insufficient to cover our costs and we are unable to increase such fees in response to cost increases, there could be adverse effect on our financial condition and results of operations. Additionally, if we seek to reduce costs, we may not be able to maintain the quality of our property management services, which may similarly affect our reputation, business financial condition and results of operations.

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

We may be adversely affected by material issues that affect our relationships or business ventures with our business partners.

We have partnered with a number of minority interest holders of our subsidiaries and established joint ventures and associates with third parties and may continue to do so in the future. The performance of such business ventures has affected, and will continue to affect, our results of operations and financial position. We and our business venture partners provided capital to our jointly established project companies in proportion to our shareholding percentages in order to fund such project companies' land acquisition efforts and working capital requirements. Once these project companies commence pre-sale and generate cash flow, they will repay such capital to us on demand. Therefore, the timing of such business ventures' capital requirements, the financial performance of these business ventures and their ability to repay may materially and adversely affect our results of operations. With respect to our subsidiaries with minority interest holders, our consolidated financial results may be directly impacted and the profit attributable to our Group may be diluted. With respect to joint ventures and associates, we generally expect to incur share of losses in such joint ventures or associates until their respective development of property projects completes and starts to contribute revenue.

The success of a business venture 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 these entities. In addition, in accordance with PRC law, our joint venture agreements and the articles of association of our joint ventures and associates, certain matters relating to our business ventures require the consent of all parties to the joint ventures and associates. Therefore, such joint venture agreements involve a number of risks, including that:

- we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associates if there is a disagreement between us and our joint venture partners;

- we may disagree with our joint venture partners in connection with the scope or performance of our respective obligations under the joint venture arrangements;

- our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements with us, including their obligations to make required capital contributions and shareholder loans, whether as a result of financial difficulties or other reasons;

- our partners may have economic or business interests or goals and philosophies inconsistent with ours;

- our partners may take actions contrary to our requests, instructions, policies or objectives with respect to our property investments; or

- our partners may face financial or other difficulties affecting their ability to perform their obligations under the relevant joint venture arrangements with us.

Similarly, those minority interest holders of our subsidiaries may have certain protective shareholder rights subject to the applicable laws and regulations and the articles of association of the relevant subsidiaries, such as information right. These rights of our business partners may otherwise increase our cost and time in managing our business ventures, prolong our internal communication and approval procedures, divert our management team's attention and other resources.

Our investments in joint ventures and associates require substantial capital injections from time to time, which may limit the liquidity of our working capital as compared to our other investments, such as wealth management products. Our investments in joint ventures and associates may also subject us to adverse financial performance. In 2017, 2018 and 2019 and the six months ended June 30, 2020, our share of profits and losses of joint ventures and associates fluctuated as a result of the increasing number of our invested joint ventures and associates as well as the operations of those entities. Since some of those entities were at an early stage of operation and had been operating at a loss, our profitability was adversely affected and we recorded a share of losses of joint ventures in the amount of RMB134.8 million, RMB82.2 million and RMB19.6 million (US$2.8 million) in 2017 and 2018 and the six months ended June 30, 2020, respectively. On the other hand, even if our joint ventures and associates recognize profits, we may not receive any final remittance of surplus funds, which is typically in the form of dividend distribution, from these joint ventures and associates until their respective property projects are fully completed and delivered and the project companies are liquidated. The project companies' voluntary liquidation is subject to a number of preconditions and uncertainties with respect to time, for more details, see "Business — Our Project Operation and Management — Project Financing." Our consolidated financial performance may continue to be subject to fluctuations in future periods in conjunction with our investments in additional joint ventures and associates or the performance of such entities.

In addition, since we do not have full control over the business and operations of our joint ventures and associates, 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 associates, or our joint ventures and associates will not violate PRC laws and regulations, which may have a material adverse effect on our reputation, business, results of operation and financial condition.

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

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management 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 or retain all the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. In addition, if any director, any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we might lose key professionals and staff. Due to the intensified competition for management and other personnel in the PRC real estate sector, any failure to recruit or retain the necessary management personnel and other qualified employees could have a material adverse impact on our business and prospects.

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

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

Moreover, we may not be able to adequately and effectively protect our trade name and trademarks in connection with our trademark licensing arrangement with Zhejiang Tianjian. Pursuant to the licensing arrangement, we agreed to license a set of "Zhongliang" trademarks to Zhejiang Tianjian and its subsidiaries that may be used in the development and marketing processes of their existing property projects as of June 27, 2018. Although we have specified the scope and manner in which such licensed trademarks can be deployed, there is no assurance that Zhejiang Tianjian and its subsidiaries will reasonably use our "Zhongliang" trademarks only to those authorized property projects. If our control over those licensed trademarks is ineffective and the rights of such trademarks are infringed or otherwise compromised, our reputation and business may be materially and adversely affected.

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

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

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

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

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

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

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

Our operations are dependent on a limited number of major suppliers.

Our suppliers are mainly construction contractors and construction material suppliers. We have maintained a number of suppliers to operate our businesses. Some of our general contractors and subcontractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted each of the relevant group companies as a major supplier.

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

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

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

RISKS RELATING TO OUR INDUSTRY

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

Our business is subject to extensive governmental regulations and, in particular, we are sensitive to policy changes in the PRC real estate sector. The PRC government exerts considerable direct and indirect influence on the development of the PRC real estate sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. In recent years, various control measures have been promulgated by central and local governments aiming at cooling the real estate sector and there is no assurance that further measures may be adopted to regulate this sector. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to real estate developers and property purchasers, impose additional taxes and levies on property sales, and restrict foreign investment in the PRC real estate sector or require the real estate developers to deleverage.

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

The PRC property market industry is highly competitive.

There are a large number of real estate developers in the PRC and we expect the level of competition to increase over time, especially as new players enter the market and existing players expand, merge, reorganize and become more established. Intense competition among real estate developers in China for land, financing, construction materials and skilled management and human resources may result in an increased cost for land acquisition and construction, oversupply of properties available for sale, decrease in property prices, slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and increase in administrative costs for hiring or retaining qualified contractors and personnel. Many of our competitors, including foreign developers and top-tier domestic developers, may have more financial or other resources than us. Domestic and overseas real estate developers may have entered the property development markets where we have operations. If we fail to compete effectively, our business operations and financial condition will suffer.

We may be adversely affected by fluctuations in the global economy and financial markets.

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 has affected the PRC real estate industry and many other industries.

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 recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, 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, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, 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 liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

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

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

China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. 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 PRC 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 PRC 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. Subsequent to the entering of Phase I Agreement, the PRC government and the U.S. government adopted specific measures to exclude imports from the other country from additional tariffs. 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 real estate industry remains uncertain.

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

- political instability or changes in political or social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.

Our business and operations are primarily conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. For example, we have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 PRC working days in the PRC pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. For example, on September 14, 2015, the NDRC issued 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), which provides that enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Notice) may also be required by the NDRC to comply with the NDRC Notice. We have registered the issuance of the Notes with the NDRC pursuant to the NDRC Notices. Nevertheless, as the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics 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, pandemics such as the ongoing COVID-19 pandemic.

Past occurrences of epidemics, 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, including, for example, the ongoing COVID-19 pandemic, 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 coronavirus 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 COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.

Toward the end of 2019, a highly infectious novel coronavirus, was identified and quickly spread globally. The World Health Organization, or the WHO, later named it COVID-19. WHO is closely monitoring and evaluating the situation. On January 30, 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern, or the PHEIC. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. As of the date of this offering memorandum, COVID-19 pandemic has spread to over 200 countries and territories globally with death toll and number of infected cases continuing to rise. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. Several cities in China where we have land bank and operations had been under lockdown, and have had travel restrictions imposed upon to curb the spread of COVID-19 pandemic.

According to the data released on April 17, 2020 by the National Bureau of Statistics of China, or the National Statistics Bureau, China's first quarter GDP of 2020 contracted by 6.8% in 2020 compared with the first quarter of 2019. The PRC real estate market in general is under pressure in the short term as the COVID-19 pandemic has curbed on-site sales, though the impact is likely to ease starting from April 2020. According to the data released by the National Statistics Bureau on April 17, 2020, China's real estate investment in the first quarter of 2020 amounted to RMB2,196.3 billion, representing a decrease of approximately 7.7% compared with the first quarter of 2019. The development of pandemic may adversely and materially affect economic growth globally due to reduction in demand and supply. On March 2, 2020 the Organization for Economic Cooperation and Development reduced 2020 GDP growth projects for almost all economies. Further, the pandemic may adversely and materially affect the stability of global financial markets. On March 9, 12, 16 and 18, trading on the New York Stock Exchange were halted for 15 minutes because S&P 500 trading price reached 7% below prior day's S&P 500 closing price. The unfolding pandemic may significantly reduce global market liquidity and depress economic activities.

As of June 30, 2020, we had a total land bank attributable to us of approximately 63.1 million sq.m., of which, approximately 3.8 million sq.m. were located in Hubei Province. Our construction and sales activities were temporarily suspended by the ongoing COVID-19 pandemic in January to February, 2020. Given the high uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. Should the disruptions to our operations continue, we may experience delays in completion and delivery of our projects, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The outbreak of the COVID-19 pandemic also caused the delay in resumption of local businesses in the PRC after the Chinese New Year holidays and, as the outbreak extended, several countries have arranged to evacuate their nationals from Wuhan and introduced new restrictions on traveling to and from China. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC.

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

RISKS RELATING TO THE NOTES, 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 and certain of our offshore subsidiary. 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 RMB1,618.2 million (US$229.0 million), capital commitments in the amount of RMB81,007.9 million (US$11,465.9 million) and contingent liabilities arising from guarantees in the amount of RMB47.2 million (US$6.7 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 share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

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

We 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 RMB29,834.4 million (US$4,222.8 million) and RMB22,975.0 million (US$3,251.9 million), respectively. Subsequent to June 30, 2020, we have incurred additional indebtedness. 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. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See "— The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future."

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends 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 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 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. or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

We have flexibility to incur debt secured by assets the security interest of which may not be shared with the Holders of the Notes.

Although the "Limitation on Liens" covenant as described under the "Description of the Notes" section provides that we may not create or permit to exist any liens on our assets and properties unless such liens are shared on a *pari passu* basis with the Holders of the Notes, such restriction is subject to important exceptions and qualifications. The terms of the Notes give us enhanced flexibility to make Restricted Payments, including investments, in Unrestricted Subsidiaries, minority owned joint ventures and other persons, and we have the flexibility under the terms of the Notes to designate certain subsidiaries as Unrestricted Subsidiaries, which may have substantial assets. Unrestricted Subsidiaries themselves are not subject to the restrictive covenants under the indenture governing the Notes and will therefore be permitted to incur debt secured by their assets, the security interest of which will not be shared with holders of the Notes. In addition, the definition of "Permitted Liens" also gives us and our Restricted Subsidiaries flexibility to incur debt secured by certain assets, the security interest of which may not be shared with holders of the Notes. The Notes will therefore rank behind such secured debt to the extent of the value of such security, the amount of which may be material.

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 Triggering Event.

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

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

In addition, the definition of Change of Control Triggering Event for purposes of the 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 Triggering Event 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 or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers 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 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 make investments in any Unrestricted Subsidiaries and minority-owned joint ventures up to an aggregate amount equal to 25% of our total assets. See paragraph (17) of 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 Issuer 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.

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 will be made to the SEHK for the listing and quotation of the Notes on the SEHK, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. 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 Group's 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.

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

The Notes are expected to be rated B+ by Fitch Ratings and BB by Lianhe Global. We have been assigned a long-term corporate credit rating of B1 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that our corporate credit rating will remain for any given period of time or that a rating will not be lowered, put on negative outlook or CreditWatch negative or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant, including as a result of the incurrence of further debt. We have no obligation to inform holders of the Notes of any such revision, downgrade, negative outlook, CreditWatch negative or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any

Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they 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, the BVI 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 BVI Islands, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in the Unites States or other jurisdictions, would likely involve Cayman Islands insolvency laws and/or BVI 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 Unites 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 and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

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 and/or steps and/or institute proceedings 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 and/or steps and/or institute proceedings, 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 and/or steps and/or institute proceedings 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 IFRS, 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 IFRS and U.S. GAAP or between IFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between IFRS and U.S. GAAP or between IFRS 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 SEHK, 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 SEHK and the rules of the SEHK so require, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SEHK 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 our Company. Therefore, it is uncertain whether we will be deemed as a PRC "resident enterprise" for the purposes of the EIT Law. If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income from sources outside the PRC, such as income from any investment outside the PRC of any portion of the offering proceeds, would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands.

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

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

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

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

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

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

If the Issuer fails to complete the post-issuance report to the NDRC in connection with the Notes, NDRC may impose penalties or other administrative procedures on the Issuer.

On September 14, 2015, the NDRC promulgated the NDRC Circular pursuant to which if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue notes outside of the PRC with a maturity of more than one year, such PRC enterprise must in advance of issuing such notes, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the notes to the NDRC within 10 business days upon the completion of the note issue.

The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes. Similarly, there is no clarity on the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Circular. Additional guidance has been issued by the NDRC (《企業境外發行債券指引》) (the "NDRC Circular Guidelines") on December 18, 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Noteholders, in the event of a noncompliance by the Issuer with the NDRC Circular. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

Since the NDRC Circular is new and without any detailed implementation procedures, there is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with, or post issuance report to, the NDRC. The Issuer has completed the registration with the NDRC and obtained the registration certificate on September 23, 2020. If the Issuer does not report the post issuance information with respect to the Notes within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Issuer which may have a material adverse impact on its business, financial condition or results of operations.

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. Moreover, the Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 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 20.0% 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 commended 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 net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$195.5 million, which we plan to use for refinancing of existing indebtedness.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

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. 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 widened to 1.0% on April 16, 2012 and further revised to 2.0% on March 17, 2014. From July 21, 2005 to June 30, 2014, the value of the Renminbi appreciated by approximately 30% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

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	Exchange 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				
January	6.9161	6.9184	6.9749	6.8589
February	6.9906	6.9967	7.0286	6.9650
March	7.0808	7.0205	7.1099	6.9244
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 (through October 9, 2020)	6.6933	6.7759	6.7898	6.6933

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 the monthly average rate, which is determined by averaging the daily rates during the month.

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, no assurance can be given 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:

	Exchange Rate			
Period	**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				
January	7.7665	7.7725	7.7889	7.7661
February	7.7927	7.7757	7.7951	7.7630
March	7.7513	7.7651	7.7863	7.7511
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 (through October 9, 2020)	7.7500	7.7500	7.7501	7.7500

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 the monthly average rate, which is determined by averaging the daily rates during the month.

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, after 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 and pledged deposits)	19,540,440	2,765,770	20,921,667	2,961,270
Current				
Bank loans				
— secured	2,226,080	315,081	2,226,080	315,081
Other loans				
— secured	9,361,796	1,325,076	9,361,796	1,325,076
— unsecured	1,618,205	229,042	1,618,205	229,042
Current portion of long-term bank loans				
— secured	3,155,014	446,563	3,155,014	446,563
Current portion of long-term other loans				
— secured	1,559,748	220,768	1,559,748	220,768
Senior notes	5,054,138	715,367	5,054,138	715,367
Total current borrowings	22,974,981	3,251,897	22,974,981	3,251,897
Non-current				
Bank loans				
— secured	22,510,087	3,186,096	22,510,087	3,186,096
— unsecured	—	—	—	—
Other loans				
— secured	4,532,690	641,561	4,532,690	641,561
Senior notes	2,791,595	395,125	2,791,595	395,125
Notes to be issued	—	—	1,381,227	195,500
Total non-current borrowings	29,834,372	4,222,781	31,215,599	4,418,281
Equity				
Equity attributable to the owners of the Company				
Share capital	31,450	4,451	31,450	4,451
Reserves	8,844,857	1,251,908	8,844,857	1,251,908
	8,876,307	1,256,360	8,876,307	1,256,360
Non-controlling interests	16,569,489	2,345,259	16,569,489	2,345,259
Total equity	25,445,796	3,601,619	25,445,796	3,601,619
Total capitalization[1]	55,280,168	7,824,400	56,661,395	8,019,900

Note:

(1) Total capitalization equals total non-current borrowings plus total equity.

Since June 30, 2020, we have incurred additional indebtedness. 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."

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 and the summary 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 years and as of such dates, as audited by Ernst & Young, 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 and the summary consolidated financial position as of 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 Ernst & Young, our independent certified public accountants in accordance with IFRS. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from 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. 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

	Year Ended December 31,				Six Months Ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands, except for percentages)						
				(Unaudited)	(Unaudited)		(Unaudited)
Revenue	**14,026,299**	**30,214,688**	**56,639,596**	**8,016,814**	**20,556,565**	**23,766,642**	**3,363,950**
Cost of sales	(11,166,324)	(23,303,847)	(43,457,345)	(6,150,988)	(15,522,059)	(18,404,563)	(2,604,997)
Gross profit	**2,859,975**	**6,910,841**	**13,182,251**	**1,865,827**	**5,034,506**	**5,362,079**	**758,953**
Other income and gains	24,517	95,045	233,873	33,103	83,577	105,501	14,933
Selling and distribution expenses	(823,698)	(1,333,901)	(2,030,081)	(287,339)	(1,007,433)	(945,119)	(133,773)
Administrative expenses	(701,224)	(1,648,265)	(2,549,711)	(360,888)	(1,055,179)	(1,182,583)	(167,384)
Impairment losses on financial assets	(2,162)	(10,964)	(9,870)	(1,397)	(5,014)	(3,095)	(438)
Other expenses	(20,333)	(197,760)	(255,162)	(36,116)	(41,527)	(162,218)	(22,960)
Fair value gains on investment properties	261,898	71,971	49,855	7,057	29,093	41,176	5,828
Fair value (losses)/gains on financial assets at fair value through profit or loss	(5,378)	(4,039)	(6,880)	(974)	210	(21,221)	(3,004)
Finance income	150,805	353,711	515,645	72,985	192,294	159,055	22,513
Finance costs	(356,320)	(433,466)	(466,533)	(66,033)	(250,853)	(196,489)	(27,811)
Share of profits and losses of:							
Joint ventures	(134,844)	(82,242)	979,353	138,618	44,095	(19,648)	2,781
Associates	14,649	717,545	255,371	36,145	169,559	499,394	70,685
Profit before tax	**1,267,885**	**4,438,476**	**9,898,111**	**1,400,987**	**3,193,328**	**3,636,832**	**514,760**
Income tax expense	(769,311)	(1,912,189)	(3,642,203)	(515,520)	(1,294,640)	(1,426,678)	(201,933)
Profit for the year	**498,574**	**2,526,287**	**6,255,908**	**885,466**	**1,898,688**	**2,210,154**	**312,827**
Attributable to:							
Owners of the parent	502,667	1,931,336	3,833,699	542,625	1,204,108	1,205,787	170,668
Non-controlling interests	(4,093)	594,951	2,422,209	342,841	694,580	1,004,367	142,159
	498,574	2,526,287	6,255,908	885,466	1,898,688	2,210,154	312,827
Other Financial Data (Unaudited)							
EBITDA(1)	2,384,228	6,263,819	12,110,370	1,714,112	4,097,111	5,063,249	716,656
EBITDA margin(2)	17.0	20.7	21.4	21.4	19.9	21.3	21.3

Notes:

(1) EBITDA for any period consists of operating profit before fair value gains on the investment properties fair value gains or losses on financial assets at fair value through profit or loss, share of profits or losses of joint ventures or associates and listing expenses plus finance costs and depreciation, amortization expenses and interest capitalized in cost of sales. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. 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)
Non-current assets						
Property, plant and equipment	49,999	105,269	117,679	16,656	94,284	13,345
Investment properties	791,000	928,900	1,196,550	169,361	1,595,150	225,779
Right-of-use assets	—	—	144,809	20,496	108,460	15,352
Other intangible assets	570	455	8,128	1,150	6,714	950
Investments in joint ventures	415,602	2,584,059	3,240,364	458,644	3,606,510	510,468
Investments in associates	437,704	2,113,159	6,749,631	955,348	11,993,056	1,697,507
Deferred tax assets	980,902	1,852,380	2,932,066	415,007	3,447,339	487,939
Prepayments and other receivables	46,202	96,202	—	—	919,746	130,182
Total non-current assets	2,721,979	7,680,424	14,389,227	2,036,663	21,771,259	3,081,522
Current assets						
Financial assets at fair value through profit or loss	297,171	228,757	290,723	41,149	410,383	58,086
Properties under development	61,379,980	99,481,406	128,779,890	18,227,610	137,665,112	19,485,232
Completed properties held for sale	2,302,650	3,596,396	4,140,691	586,077	7,283,954	1,030,977
Trade receivables	—	4,354	3,035	430	6,299	892
Due from related companies	7,294,042	9,841,443	9,446,200	1,337,023	10,822,173	1,531,779
Prepayments and other receivables	7,713,749	22,209,895	38,283,718	5,418,709	41,325,540	5,849,251
Tax recoverable	1,016,518	1,951,577	2,691,238	380,920	3,107,995	439,908
Cash and bank balances	16,484,323	23,080,364	26,495,261	3,750,161	35,021,412	4,956,959
Total current assets	96,488,433	160,394,192	210,130,756	29,742,078	235,642,868	33,353,083
Current liabilities						
Trade and bills payables	4,839,542	8,498,295	12,060,536	1,707,058	12,645,198	1,789,812
Other payables and accruals	4,316,682	20,476,168	19,019,087	2,691,977	20,745,390	2,936,319
Contract liabilities	51,891,569	95,482,250	115,873,077	16,400,770	125,095,791	17,706,160
Due to related companies	9,849,122	7,419,138	11,985,635	1,696,457	15,819,521	2,239,108
Interest-bearing bank and other borrowings	7,561,064	14,468,672	20,125,313	2,848,553	17,920,843	2,536,531
Lease liabilities	—	—	46,234	6,544	88,014	12,458
Tax payable	1,182,504	1,960,281	3,406,783	482,199	3,690,789	522,397
Provision for financial guarantee contracts	—	84,869	31,364	4,439	47,244	6,687
Other financial liabilities	40,991	59,284	92,378	13,075	93,573	13,244
Senior notes	—	—	1,378,045	195,050	5,054,138	715,367
Total current liabilities	79,681,474	148,448,957	184,018,452	26,046,121	201,200,501	28,478,083
Net current assets	**16,806,959**	**11,945,235**	**26,112,304**	**3,695,957**	**34,442,367**	**4,875,001**
Total assets less current liabilities	**19,528,938**	**19,625,659**	**40,501,531**	**5,732,620**	**56,213,626**	**7,956,522**
Non-current liabilities						
Interest-bearing bank and other borrowings	16,915,281	12,536,245	15,860,556	2,244,916	27,042,777	3,827,657
Lease liabilities	—	—	100,210	14,184	42,500	6,015
Deferred tax liabilities	259,906	335,182	851,884	120,576	890,958	126,107
Senior notes	—	—	2,817,326	398,767	2,791,595	395,125
Total non-current liabilities	17,175,187	12,871,427	19,629,976	2,778,443	30,767,830	4,354,904
Net assets	**2,353,751**	**6,754,232**	**20,871,555**	**2,954,177**	**25,445,796**	**3,601,619**
Equity						
Equity attributable to owners of the parent						
Share capital	—	85	31,450	4,451	31,450	4,451
Reserves	234,717	2,578,591	8,696,650	1,230,931	8,844,857	1,251,908
	234,717	**2,578,676**	**8,728,100**	**1,235,382**	**8,876,307**	**1,256,360**
Non-controlling interests	**2,119,034**	**4,175,556**	**12,143,455**	**1,718,794**	**16,569,489**	**2,345,259**
Total equity	**2,353,751**	**6,754,232**	**20,871,555**	**2,954,177**	**25,445,796**	**3,601,619**

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

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

OVERVIEW

We are a fast-growing large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. As of June 30, 2020, we had established presence in 149 cities in 23 provinces and municipalities across five core economic regions in China. As of the same date, we had a project portfolio of 504 projects, including 364 projects developed by our subsidiaries and 140 projects developed by our joint ventures and associates, at various development stages.

Our business operations consist of four business lines: (i) sales of properties, (ii) management consulting services, (iii) property management services, and (iv) property lease. Substantially all of our revenue recognized in 2017, 2018 and 2019 and the six months ended June 30, 2020 was derived from sales of properties. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue derived from sales of properties amounted to RMB13,913.2 million, RMB29,992.1 million, RMB56,383.7 million (US$7,980.6 million) and RMB23,654.6 million (US$3,348.1 million), respectively, accounting for 99.2%, 99.3%, 99.5% and 99.5%, respectively, of our total revenue over the same periods.

We excluded the ancillary businesses including property management services from our Group upon the Reorganization since April 2018. Moreover, we have engaged in the development and operation of investment properties and started to generate rental income from leasing our investment properties from the second half of 2018. As of June 30, 2020, we had 13 property projects with investment properties under various development stages. Although we currently still focus on the development of residential properties for sale, we may in the future expand our investment property portfolio in response to changing market conditions and customer demand.

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:

Economic Conditions and Regulatory Environment in the PRC

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

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

We currently focus on developing properties that target customers who are either first-time home purchasers, first-time home upgraders or second-time home upgraders, which mainly represent property development activities that are encouraged under the current regulatory environment in the PRC. As a result, we believe that we are less susceptible to the restrictive measures and will continue to benefit from the continued economic growth and urbanization, as well as the government policies to foster the continued growth of the property market in the PRC.

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

Availability and Cost of Land in Strategically Selected Locations

Land use right costs were the largest component of our cost of sales for property development in 2017, 2018 and 2019 and will continue to be a major component in the future. Over the past few years, land premiums in the PRC have generally increased as a result of growing domestic economy and rapid urbanization. Our sustainable business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns, which in turn depends on various factors, including the methods and timing of land acquisition, location of the land parcels, and the competition we face in a specific region. We primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities, auctions and public tenders. We also acquire land parcels by cooperating with third-party business partners through joint ventures, or through target projects or target project companies. As the PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect intensified competition among real estate developers. We especially observe that competition for quality land bank has been extended from the first- and second-tier cities to the third- and fourth-tier cities in the PRC, where most of our properties are currently located.

In addition, PRC's governmental land supply policies and implementation measures are likely to further intensify the competition, and consequently increase the land acquisition costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a portion of the actual cost of the relevant land and we are required to settle the land premium within one year after signing the land grant contract in accordance with relevant regulation, which has accelerated the timing of our payment for land acquisition costs and has had a significant impact on our cash flows. It is generally expected that land premiums will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results. Nevertheless, we may from time to time acquire land parcels by cooperating with third-party business partners, or through equity interests in companies that possess land use rights. Such land acquisition methods may enable us to leverage the competency of our business partners and reduce our initial capital injection.

Timing of Property Development, Pre-sale and Delivery

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

We endeavor to adopt the rapid-asset-turnover model to ensure the sufficiency of our working capital and liquidity. We expect to continue to implement our rapid-asset-turnover model and optimize our land acquisition, construction and pre-sale/sale procedures, minimizing the cost and time in connection with our property development. If any our current or planned schedules of land acquisition, property development or pre-sale/sale is delayed or otherwise interrupted, our cash flows or results of operations in a given period may be adversely affected.

Contractor Fees, Construction Materials and Labor Cost

Construction costs constitute a large portion of our cost of sales, of which, contractor fees and construction materials are the two major components. Construction costs fluctuate as a result of changes in contractor fees, which generally include construction materials that the contractors are responsible for and cost of their construction workers. For certain major construction materials such as steel and cement, whose prices may fluctuate significantly, we and our contractors usually specify the price range within which the total construction contract price will be subject to. If the price fluctuates outside such initial specified price range, we will be solely responsible for the price difference beyond the agreed scope. Prior to 2016, the prevailing market prices of steel and cement in the PRC generally decreased due to an overcapacity issue, which bounced back in 2016 and 2017, primarily as a result of the structural reform in the steel and cement industries and government policies on projection adjustment. Such fluctuation has affected our cost of sales in 2017, 2018 and 2019 and the six months ended June 30, 2020. In addition, our labor cost increased significantly in 2017, 2018 and 2019 and the six months ended June 30, 2020, primarily as a result of our rapid business growth. Although we endeavor to take advantage of increasing economy scale and to implement cost control measures, we cannot assure you that our cost control efforts will always succeed. If we are unable to successfully maintain our contractor fees, construction materials or labor costs at a reasonable level, or to pass on the increase, if any, to our customers, we cannot sell our properties at a price level sufficient to cover all the increased costs, we may not be able to achieve our target margin and our profitability may be adversely impacted as well.

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/sale of our properties, as well as external financings, such as borrowings from commercial banks, trust financing, asset management arrangements, other borrowings from third parties (other than banks and financial institutions), and capital contribution from non-controlling shareholders. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those restricting the ability of real estate developers to obtain bank financing. 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.

In addition, we finance our operations through trust financing and asset management arrangements provided by trust financing providers, asset management companies and other financial institutions, which usually have a greater flexibility in terms of fund availability and repayment requirements. As of June 30, 2020, the total outstanding principal of our trust financing and asset management arrangements amounted to approximately RMB16,010.5 million (US$2,266.1 million). While trust financing providers, asset management companies 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 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, asset management companies 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, asset management companies 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 real estate development business.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total outstanding borrowings amounted to RMB24,476.3 million, RMB27,004.9 million, RMB40,181.2 million (US$5,687.3 million and RMB52,809.4 million (US$7,474.7 million)), respectively. The weighted average effective interest rates on our total borrowings outstanding as of December 31, 2017, 2018 and 2019 were 7.9%, 9.9%, 9.4% and 8.9%, respectively. We may also from time to time in the future obtain further funding by accessing both the international and domestic capital markets, including but not limited to the issuance of new corporate bonds, asset-backed securities programs and debt offerings, to diversify our financing sources, secure sufficient working capital and support our business expansion. In addition, a significant portion of our finance costs are capitalized to the extent that such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations. Moreover, the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign invested real estate developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. We recorded provisions for LAT expenses of RMB452.9 million, RMB1,183.6 million, RMB1,226.5 million (US$173.6 million) and RMB481.5 million (US$68.2 million) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We have accrued all LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations in 2017, 2018 and 2019 and the six months ended June 30, 2020. However, our provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items.

The estimates and assumptions are based on our historical experience and other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of our judgments about matters not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) our judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items 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.

Early Adoption of IFRS 9 and IFRS 15

IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers are effective for financial periods beginning on or after January 1, 2018, replacing IAS 39 and IAS 18, respectively, and we have applied IFRS 9 and IFRS 15 consistently throughout the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

Impacts of the IFRS 9 and IFRS 15 on our historical financial information are as follows:

Impact of IFRS 9

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is classified as fair value through profit or loss, the changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, in which case such fair value changes recognized in OCI are never recycled into profit and loss, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in IAS39. IFRS 9 contains a "three-stage" approach, which is based on the change in credit quality of financial assets since the initial recognition. Assets move through the three stages as credit quality changes, and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. For trade receivables, we apply the simplified approach permitted by IFRS 9, under which we do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impact of IFRS 15

Following the adoption of IFRS 15, the following items are recognized in different ways:

Presentation of liabilities

Advanced proceeds received from customers are presented as contract liabilities.

Accounting for revenue from sales of properties

Revenue from sales of properties is recognized over time when our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date; otherwise, revenue is recognized at a point in time when the buyer obtains control of the completed property.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service is more than one year, the transaction price is adjusted for the effects of such financing component, if significant. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Impact on Our Financial Position and Performance

We had adopted IFRS 9 and IFRS 15 on a consistent basis throughout the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, without applying IAS 39 and IAS 18. Therefore, there is no direct comparison between our financial position or performance by adopting IFRS 9 and IFRS 15 and our financial position or performance by adopting IAS 39 and IAS 18. It is mandatory to apply IFRS 9 and IFRS 15 for the periods beginning on or after January 1, 2018. Early application is permitted.

If we had applied IAS 39 and IAS 18 for the year ended December 31, 2017, the estimated impact on our financial position for the year ended December 31, 2017 affected by the adoption of IFRS 9 and IFRS 15 is as follows:

	Amounts without the adoption of IFRS 9 and IFRS 15	Effects of the adoption of IFRS 9	Effects of the adoption of IFRS 15	Amounts as reported
	RMB	RMB	RMB	RMB
		(In thousands)		
Net profit for the year				
Year ended December 31, 2017	(223,267)	(2,162)	724,003	498,574
Total equity				
As of December 31, 2017	1,369,366	(2,659)	987,044	2,353,751

Taking into account the impact disclosed above, the directors consider that the adoption of IFRS 9 had insignificant impact on our financial position and performance for the year ended December 31, 2017.

The adoption of IFRS 15 had significant impact on our financial performance for the year ended December 31, 2017 and the adoption of IFRS 15 had significant impact on our financial position as of December 31, 2017. The impact of IFRS 15 on our financial performance for the year ended December 31, 2017 was mainly due to the recognition of sales of properties when our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Such revenue was recognized over time by adopting IFRS 15.

Revenue Recognition

Revenue is measured at the amount of consideration to which we expect to be entitled to receive or to be receivable for the sales of properties and services in the ordinary course of our activities. Revenue is recognized, net of discounts and after eliminating intra-group sales.

Sales of Properties

Revenue is recognized when or as the control of the asset is transferred to the customer. Control of the asset is transferred over time if our performance: (i) provides all of the benefits received and consumed simultaneously by the customer; or (ii) creates and enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Depending on the terms of the contracts and the applicable laws and regulations, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognized over the period of the contract prior to the physical delivery of the property 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, which typically is the time of physical delivery of the property to the purchaser. The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, we adjust the promised amount of consideration for the effect of financing component if it is significant.

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 customer obtains the physical possession or the legal title of the completed property and we have present right to payment and the collection of the consideration is probable, which typically is the time of physical delivery of the property to the purchaser.

Management consulting services

Management consulting services income derived from the provision of support services in connection with development of property projects is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Property management services

Property management service income derived from the provision of property maintenance and management services is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Rental income

Rental income is recognized on a time proportion basis over the lease terms.

Interest Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Financial Assets

Initial Recognition and Measurement

Financial assets are recognized when, and only when, we become a party to the contractual provisions of the financial instruments.

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

Subsequent Measurement

(i) *Debt instruments*

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments:

- Amortized cost: Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in the statement of profit or loss when the assets are derecognized or impaired, and through amortization process.

- Fair value through other comprehensive income: Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income, or FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognized in other comprehensive income, or OCI, except impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognized in profit or loss. The cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognized.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in the statement of profit or loss in the period in which it arises. Interest income from these financial assets is included in the finance income.

(ii) *Equity instruments*

We subsequently measure all equity investments at fair value. On initial recognition of an equity instruments that is not held for trading, we may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognized in the consolidated statements of profit or loss and other comprehensive income when our right to receive payments is established. Changes in fair value of financial assets at fair value through profit or loss are recognized in "other income and gains" in the consolidated statements of profit or loss and other comprehensive income as applicable. Changes in fair value of financial assets at FVOCI are recognized in OCI.

Impairment

We have types of financial assets subject to IFRS 9's new expected credit loss model: financial assets included in prepayments and other receivables, due from related companies, restricted cash, pledged deposits and cash and cash equivalents.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

We consider that default has occurred when a financial asset is more than 90 days past due unless our Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when we determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with our procedures for recovery of amounts due.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from our statements of financial position) when: (i) the rights to receive cash flows from the financial asset have expired; or (ii) we have transferred our rights to receive cash flows from the financial asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for uses in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each relevant periods.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of profit or loss and other comprehensive income in the year when they arise. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of profit or loss and other comprehensive income in the year of the retirement or disposal.

Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value. Properties under development are classified as current assets unless those will not be realized in normal operating cycles. On completion, the properties are transferred to completed properties held for sale.

Completed Properties Held for Sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realized, less estimated costs to be incurred in selling the properties.

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

Revenue

Our revenue mainly consists of revenue derived from sales of properties, and to a much lesser extent management consulting services, and property lease. The table below sets forth our revenue for each of the components described above and the percentage of total revenue for the periods indicated:

	Year Ended December 31,							Six Months Ended June 30,				
	2017		2018		2019			2019		2020		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(In thousands, except for percentages)											
						(Unaudited)		(Unaudited)		(Unaudited)		
Sales of properties	13,913,179	99.2	29,992,092	99.3	56,383,676	7,980,591	99.5	20,413,499	99.3	23,654,596	3,348,091	99.5
Other services	113,120	0.8	218,166	0.7	244,044	34,542	0.4	138,918	0.7	106,303	15,046	0.4
Property lease	—	—	4,430	0.0	11,876	1,681	0.0	4,148	0.0	5,743	813	0.0
Total	**14,026,299**	**100.0**	**30,214,688**	**100.0**	**56,639,596**	**8,016,814**	**100.0**	**20,556,565**	**100.0**	**23,766,642**	**3,363,950**	**100.0**

Sales of Properties

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial majority of our total revenue. Our operating results for any given period are primarily dependent upon the recognized GFA and the ASP of the properties we recognized during such period and the market demand for those properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. Our recognized GFA may fluctuate from period to period depending on the size of the projects and the stage of their development. The recognized ASP of our properties may also fluctuate from period to period depending on the ASP for properties in cities and regions where we developed and sold property projects.

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

From 2017 to 2019 and from the first half of 2019 to the first half of 2020, our revenue from sales of properties increased significantly, primarily due to the increase in the number of property projects we sold and delivered, which resulted in an increase in our total recognized GFA. In 2017, 2018 and 2019 and the first half of 2020, revenue derived from properties located in the Yangtze River Delta Economic Region constituted a significant portion of our total revenue. The overall recognized ASP per sq.m. of our property projects generally decreased from 2017 onwards, primarily due to our penetration in the Yangtze River Delta Economic Region through entering into the suburban area of Wenzhou and other cities such as Yueqing, Lishui and Wuhu, which generally have a lower recognized ASP per sq.m. as compared to Wenzhou. In addition, the decrease in the recognized ASP per sq.m. was also due to our geographic expansion into other economic regions where the recognized ASP per sq.m. was generally lower than that in the Yangtze River Delta Economic Region.

Management Consulting Services

Since October 2016, we commenced to provide management consulting services to certain of our related parties and third parties, which mainly represented the provision of support services to these entities in connection with construction, sales and marketing, and overall management during the development of property projects.

Revenue derived from our management consulting services is recognized over the period when such services are rendered. Our revenue derived from management consulting services increased from 2017 to 2018, mainly due to the increase in the number of joint ventures, associates and third parties to which we provided management consulting services. Due to the same reason, our revenue derived from management consulting services increased from 2018 to 2019.

Property Management Services

Historically, we were involved in certain ancillary businesses including property management services mainly to the demonstration areas and decorated model homes of property projects developed by us and our related parties. Revenue derived from property management services is recognized over the period when such services are rendered.

Ancillary businesses require different expertises, skills and resources from our property development business. As such, we excluded the ancillary businesses from our Group upon the Reorganization since April 2018.

Rental Income from Property Lease

We have engaged in the development and operation of investment properties and started to generate rental income from leasing our investment properties since the second half of 2018. The rental income increased from 2018 to 2019, mainly contributed by our investment properties located in Wenzhou.

Cost of Sales

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

- *Land use right costs.* Land use right costs include costs relating to acquisition of the rights to occupy, use and develop land which mainly represents land premiums incurred in connection with land parcels granted from the government or land parcels acquired from third parties. These costs for a project are affected by a number of factors, such as the location of the underlying property, regional property market conditions, timing of the land acquisition, project's plot ratios, method of acquisition and changes in PRC laws and regulations. Although we have not in the past been required to do so, we may be required to pay demolition and resettlement costs, subject to the condition of the land parcel that is acquired.

- *Construction costs.* Construction costs include all the costs for the design and construction of a project, including contractor fees, costs of construction materials and labor costs. Our construction costs are affected by a number of factors, including the type and geographic locations of the properties being constructed or the type and amount of construction materials to be used, which may vary from city to city.

- *Capitalized interest.* We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

Our cost of sales in absolute amount continued to increase in 2017, 2018 and 2019 and the first half of 2020, primarily due to the increase in the number of property projects completed and delivered, which in turn, resulted in the increase in our total recognized GFA.

Gross Profit and Gross Profit Margin

The increase in gross profit margin for sales of properties from 20.1% in 2017 to 22.6% in 2018 was mainly because the decrease in average cost per sq.m. recognized outpaced the decrease in recognized ASP per sq.m. in the relevant period. Such decrease in the average cost per sq.m. recognized was partially attributable to the decrease in average land use right cost per sq.m., resulting from our continuous geographic expansion into the third- and fourth-tier cities in the Yangtze River Delta Economic Region in other core economic regions where the land acquisition cost was relatively lower. The increase in gross profit margin for sales of properties from 22.6% in 2018 to 23.3% in 2019 was primarily because of the higher profitability of the projects delivered in 2019.

Our gross profit margin for management consulting services gradually improved from 55.3% in 2017 to 56.1% in 2018 as a result of the increasing economies of scale. Our gross profit margin for management consulting services decreased from 56.1% for 2018 to 50.8% for 2019.

Our gross profit margin for property management services remained generally stable at around 55.0% for the years ended December 31, 2017 and 2018. We excluded the ancillary businesses including property management services from our Group since April 2018.

We started to generate revenue from the lease of our investment properties in the second half of 2018 and the gross profit margin for property lease remained stable at approximately 62.4% in 2018 and 2019. Our gross profit margin softened from 24.5% for the six months ended June 30, 2019 to 22.6% for the six months ended June 30, 2020, mainly because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the period.

Finance Income

Finance income consists of interest income on bank deposits, which gradually increased in 2017, 2018 and 2019. In 2017, 2018 and 2019, our interest income also included the interests on the funds we provided primarily to Suzhou Jinjian, which amounted to RMB67.8 million, RMB168.5 million and RMB56.6 million (US$8.0 million), respectively. Our finance income decreased by approximately 17.3% from RMB192.3 million for the six months ended June 30, 2019 to RMB159.1 million (US$22.5 million) for the six months ended June 30, 2020. For more details about our Co-investment Schemes under our Amoeba Ecosystem, see "Business — Amoeba Ecosystem."

Other Income and Gains

Our other income and gains primarily include (i) gain on disposal of subsidiaries; (ii) net foreign exchange difference; (iii) forfeiture of deposits; (iv) government grants; (v) changes in provision for financial guarantee contracts; and (vi) others, which mainly include sundry income.

We disposed of certain subsidiaries and associates in 2017, 2018 and 2019 and recorded gains on such disposals in an aggregate amount of approximately RMB14.4 million, RMB54.5 million, RMB24.8 million (US$3.5 million) and RMB48.4 million (US$6.9 million) in 2017, 2018 and 2019 and the first half of 2020, respectively.

We recorded changes in provision for financial guarantee contract of approximately RMB83.4 million (US$11.8 million) and RMB15.0 million (US$2.1 million) in 2019 and the first half of 2020.

Forfeiture of deposits primarily represented forfeited deposits received from certain potential customers who did not subsequently enter into pre-sale/sales contracts with us and penalties received from certain customers due to their breach of sales or pre-sales contracts with us.

Foreign exchange differences of RMB10.6 million and RMB74.6 million (US$10.6 million) in 2018 and 2019, respectively, primarily resulted from the capital contributions in our offshore subsidiaries which were denominated in foreign currencies.

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

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of advertising and marketing expenses, sales agent fees, staff cost, rental and office expenses, and other expenses relating to sales of our properties. Advertising and marketing expenses primarily include costs incurred in connection with outdoor advertisements, promotional offers made directly to our customers and certain other promotional events.

Our selling and distribution expenses in absolute amount continuously increased in 2017, 2018 and 2019, primarily due to an increase in advertising and marketing expenses resulting from our strengthened selling and marketing efforts which was generally in line with our rapid business growth. The increase was also partially due to the expansion of our in-house sales and marketing team as well as the increase in the sales agent fees we incurred, both resulting from the significant increase in the number of new property projects for which are commenced pre-sales. Our selling and distribution expenses decreased by approximately 6.2% from RMB1,007.4 million for the six months ended June 30, 2019 to RMB945.1 million (US$133.8 million) for the six months ended June 30, 2020. During the period, we incurred less selling and distribution expenses as there was a slow-down in marketing activities and less promotional expenses budget due to the impact of the COVID-19 pandemic.

Administrative Expenses

Administrative expenses primarily consist of staff costs, entertainment expenses, surcharges, professional fees, office and meeting expenses, rental cost, traveling expenses and various other administrative expenses.

Our administrative expenses in absolute amount continuously increased in 2017, 2018 and 2019 and increased in the first half of 2020 compared to the first half of 2019 due to our business expansion, which resulted in increases in our management and administrative headcounts, entertainment expenses, traveling expenses and other administrative expenses. The increase was also attributable to the increase in our land acquisition activities, which increased the relevant surcharges.

Impairment Losses on Financial Assets

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets amounted to approximately RMB2.2 million and RMB11.0 million in 2017 and 2018, respectively, which was in line with the continuous increase in our total trade and other receivables in 2017 and 2018. Impairment losses on financial assets (net) decreased from RMB11.0 million in 2018 to RMB9.9 million (US$1.4 million) in 2019. Impairment losses on financial assets (net) decreased from RMB5.0 million in the first half of 2019 to RMB3.1 million (US$0.4 million) in the first half of 2020.

Other Expenses

Our other expenses primarily comprise exchange losses, losses on disposal of certain subsidiaries, administrative penalty expenses incurred due to certain non-compliance incidents during our property development process, donations to social charity activities and compensation paid to certain of our customers due to our delay in delivering properties or our early termination of lease agreements.

Fair Value Gains on Investment Properties

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

Fair value gains on investment properties in 2017, 2018 and 2019 and the six months ended June 30, 2020 amounted to RMB261.9 million, RMB72.0 million, RMB49.9 million (US$7.1 million) and RMB41.2 million (US$5.8 million), respectively. Fair value gains on investment properties in 2018 decreased from that in 2017 as we did not add any new investment properties in such period, while the construction of existing investment properties had been approaching to completion. As of June 30, 2020, we had 13 property projects with investment properties at various development stages.

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

Financial assets at fair value through profit or loss mainly represented wealth management products we purchased from reputable commercial banks and other financial institutions. In 2017, 2018 and 2019 and the first half of 2020, we invested in wealth management products, mainly low-risk funds in the PRC, for our treasury management purposes. We have established strict investment management procedures to monitor and control the potential risks relating to these investment activities. We have established policies to monitor and control the potential risks relating to our investments in wealth management products. In principle, we only invest in wealth management products with low-risk profile. A proposed investment in wealth management shall be subject to the review and approval of the personnel in charge of capital management, finance department head, vice president and the president of our Group.

Finance Costs

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

Interests on bank and other borrowings and senior notes increased in 2017, 2018 and 2019 and the first half of 2020, which was generally in line with the growing financial needs arising from our business expansion. The construction period for a project does not necessarily coincide with the drawdown and repayment schedules of the relevant loan, not all of the interest costs related to a project can be capitalized. Our finance costs may fluctuate from period to period depending on the level of total interest expenses as well as the level of interest costs that are capitalized within the reporting period.

We enter into pre-sales and/or sales contracts with our customers, subject to which we are entitled to receive consideration from customers and assume performance obligations to transfer products to them. Proceeds from customers of pre-sold properties are recorded as "contract liabilities" under the current liabilities before relevant sales revenue is recognized. The timing between the collection of proceeds and revenue recognition may not only affect the amount and growth rate of our revenue from sales of properties but also cause contract liabilities and interest expense arising from revenue contracts to fluctuate from period to period. Interest expense arising from revenue contracts were based on an incremental borrowing rate by reference to our total borrowings and assets in the relevant period. Interest expense arising from revenue contracts amounted to RMB477.2 million, RMB589.0 million, RMB730.4 million (US$103.4 million) and RMB601.9 million (US$85.2 million) in 2017, 2018 and 2019 and the first half of 2020, respectively, which was in line with the increase in the pre-sales of our properties.

Share of Profits and Losses of Joint Ventures and Associates

We from time to time develop property projects jointly with third parties by establishing joint ventures and/or associates. In 2017, 2018 and 2019 and the six months ended June 30, 2020, share of profits and losses of joint ventures and associates fluctuated subject to the increasing number of our invested joint ventures and associates as well as the operations of those entities. Since most of those joint ventures were operating at a loss in 2017 and 2018 as the property projects developed by them had not been completed and delivered, we recorded a share of losses of joint ventures in 2017 and 2018. We recorded share of profits of joint ventures of RMB979.4 million (US$138.6 million) in 2019, primarily due to the delivery of property projects held by our joint ventures which generated profit in 2019. Since 2017, some of our associates had commenced to generate revenue as they completed and delivered the property projects they developed. As such, we recognized a share of profits of associates of RMB14.6 million, RMB717.5 million, RMB255.4 million (US$36.1 million) and RMB499.4 million (US$70.7 million) in 2017, 2018 and 2019 and the first half of 2020, respectively.

Income Tax Expense

Our subsidiaries in the PRC are subject to corporate income tax and LAT. Our corporate income tax and LAT expenses continuously increased in 2017, 2018 and 2019, reflecting the increase in the number of properties we completed and delivered, thus, an increase in our taxable income.

We recorded income tax expenses of RMB769.3 million, RMB1,912.2 million, RMB3,642.2 million (US$515.5 million) and RMB1,426.7 million (US$201.9 million) in 2017, 2018 and 2019 and the first half of 2020, respectively.

	Year Ended December 31,				Six Months Ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(In thousands)			
				(Unaudited)	(Unaudited)	(Unaudited)	
Current tax							
PRC corporate income tax	1,044,178	1,625,595	2,995,985	424,054	1,299,710	1,443,832	204,361
PRC LAT	452,918	1,183,637	1,226,541	173,606	505,046	481,512	68,154
Deferred tax	**(727,785)**	**(897,043)**	**(580,323)**	**(82,139)**	**(510,116)**	**(498,666)**	**(70,582)**
Total tax charge for the year	**769,311**	**1,912,189**	**3,642,203**	**515,520**	**1,294,640**	**1,426,678**	**201,933**

We calculate our effective corporate income tax rate (deducting the tax effect from LAT) by using the quotient of (a) the result of PRC corporate income tax plus deferred income tax, divided by (b) the result of profit before income tax minus LAT. For the years ended December 31, 2017, 2018, 2019 and the first half of 2019 and 2020, our effective corporate income tax rate was approximately 38.8%, 22.4%, 27.9%, 29.4% and 30.0%, respectively.

The fluctuation in our effective income tax rate (deducting the tax effect from LAT) in 2017, 2018 and 2019 and the six months ended June 30, 2020 was primarily due to recognition on deferred tax assets for deductible temporary difference and unused tax losses. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we had paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

To a lesser extent, the increase in the effective corporate income tax rate was also attributable to an increase in non-deductible expenses in 2017. Effective corporate income tax rate decreased to 22.4% in 2018, mainly because profit before tax resulting from the share of profits and losses of joint ventures and associates, which is non-taxable according to the tax laws in China, grew rapidly compared with that recognized in 2017. Effective corporate income tax rate increased from 22.4% for 2018 to 27.9% for 2019. Effective corporate income tax rate remained stable at 29.4% for the first half of 2019 and 30.0% for the first half of 2020.

Profit for the Period

Due to the nature of property development business, there is typically an extended lead time between the commencement of property development and revenue recognition. Starting from 2017, with more properties projects being completed, the relatively higher revenue contributed by the increase in total recognized GFA outpaced the total costs incurred during the year and a net profit was therefore resulted in 2017. As a result of the continuous and rapid growth of our revenue in 2018 and 2019, our net profit further increased in 2018 and 2019. Our net profit increased in the first half of 2020 compared to the same in the first half of 2019.

Non-controlling Interests

In 2017, 2018 and 2019 and the six months ended June 30, 2020, the non-controlling interests of our Company mainly included (i) the minority equity interests in our project companies held by third parties with which we jointly develop property projects, and (ii) the minority interests held by the investment vehicles collectively established by our relevant employees subject to our Co-investment Schemes.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items, in absolute amounts and as percentages of total revenue, for the periods indicated:

	Year Ended December 31,							Six Months Ended June 30,		
	2017		2018		2019			2019	2020	
	RMB	%	RMB	%	RMB	US$	%	RMB	RMB	US$
	(In thousands, except for percentages)									
						(Unaudited)		(Unaudited)		(Unaudited)
Revenue	**14,026,299**	**100.0**	**30,214,688**	**100.0**	**56,639,596**	**8,016,814**	**100.0**	**20,556,565**	**23,766,642**	**3,363,950**
Cost of sales	(11,166,324)	(79.6)	(23,303,847)	(77.1)	(43,457,345)	(6,150,988)	(76.7)	(15,522,059)	(18,404,563)	(2,604,997)
Gross profit	**2,859,975**	**20.4**	**6,910,841**	**22.9**	**13,182,251**	**1,865,827**	**23.3**	**5,034,506**	**5,362,079**	**758,953**
Other income and gains	24,517	0.2	95,045	0.3	233,873	33,103	0.4	83,577	105,501	14,933
Selling and distribution expenses	(823,698)	(5.9)	(1,333,901)	(4.4)	(2,030,081)	(287,339)	(3.6)	(1,007,433)	(945,119)	(133,773)
Administrative expenses	(701,224)	(5.0)	(1,648,265)	(5.5)	(2,549,711)	(360,888)	(4.5)	(1,055,179)	(1,182,583)	(167,384)
Impairment losses on financial assets	(2,162)	(0.0)	(10,964)	(0.0)	(9,870)	(1,397)	(0.0)	(5,014)	(3,095)	(438)
Other expenses	(20,333)	(0.1)	(197,760)	(0.7)	(255,162)	(36,116)	(0.5)	(41,527)	(162,218)	(22,960)
Fair value gains on investment properties	261,898	1.8	71,971	0.2	49,855	7,057	0.1	29,093	41,176	5,828
Fair value (losses)/gains on financial assets at fair value through profit or loss	(5,378)	(0.1)	(4,039)	(0.0)	(6,880)	(974)	(0.0)	210	(21,221)	(3,004)
Finance income	150,805	1.1	353,711	1.2	515,645	72,985	0.9	192,294	159,055	22,513
Finance costs	(356,320)	(2.5)	(433,466)	(1.4)	(466,533)	(66,033)	(0.8)	(250,853)	(196,489)	(27,811)
Share of profits and losses of:										
Joint ventures	(134,844)	(1.0)	(82,242)	(0.3)	979,353	138,618	1.7	44,095	(19,648)	2,781
Associates	14,649	0.1	717,545	2.4	255,371	36,145	0.5	169,559	499,394	70,685
Profit before tax	**1,267,885**	**9.0**	**4,438,476**	**14.7**	**9,898,111**	**1,400,987**	**17.5**	**3,193,328**	**3,636,832**	**514,760**
Income tax expense	(769,311)	(5.4)	(1,912,189)	(6.3)	(3,642,203)	(515,520)	(6.4)	(1,294,640)	(1,426,678)	(201,933)
Profit for the year	**498,574**	**3.6**	**2,526,287**	**8.4**	**6,255,908**	**885,466**	**11.0**	**1,898,688**	**2,210,154**	**312,827**
Attributable to:										
Owners of the parent	502,667	3.6	1,931,336	6.4	3,833,699	542,625	6.8	1,204,108	1,205,787	170,668
Non-controlling interests	(4,093)	(0.0)	594,951	2.0	2,422,209	342,841	4.3	694,580	1,004,367	142,159
	498,574	3.6	2,526,287	8.4	6,255,908	885,466	11.0	1,898,688	2,210,154	312,827

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

Revenue

Our revenue increased by approximately 15.6% from RMB20,556.6 million for the six months ended June 30, 2019 to RMB23,766.6 million (US$3,363.9 million) for the six months ended June 30, 2020, primarily due to the increase in revenue derived from our sales of properties.

The table below sets forth a summary of revenues derived from each of our business lines:

	Six Months Ended June 30,				
	2018		2019		
	RMB	%	RMB	US$	%
	(In thousands, except for percentages)				
	(Unaudited)		(Unaudited)		
Sales of properties	20,413,499	99.3	23,654,596	3,348,091	99.5
Other services	138,918	0.7	106,303	15,046	0.4
Property lease	4,148	0.0	5,743	813	0.0
Total	20,556,565	100.0	23,766,642	3,363,950	100.0

Revenue derived from sales of properties increased by approximately 15.9% from RMB20,413.5 million in the first half of 2019 to RMB23,654.6 million (US$3,348.1 million) in the first half of 2020, primarily due to an increase in the total recognized GFA from 1,816,690 sq.m. in the first half of 2019 to 2,782,571 sq.m. in the first half of 2020. The impact of increased recognized GFA was offset partially by the decrease in recognized ASP by approximately 24.3% to RMB8,501 per sq.m. in the six months ended June 30, 2020 from RMB11,237 per sq.m. in the six months ended June 30, 2019. During the period, the decrease in recognized ASP was due to decrease in proportion of recognized revenue contributed from the Yangtze River Delta which generally had higher ASP.

Cost of Sales

Our cost of sales increased by approximately 18.6% from RMB15,522.1 million for the six months ended June 30, 2019 to RMB18,404.6 million (US$2,605.0 million) for the six months ended June 30, 2020, which was in line with the increase in the our total revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 6.5% from RMB5,034.5 million in the first half of 2019 to RMB5,362.1 million (US$759.0 million) in the first half of 2020. Our gross profit margin softened from 24.5% for the six months ended June 30, 2019 to 22.6% for the six months ended June 30, 2020, mainly because of higher land acquisition costs relative to the respective ASP in respect of property projects delivered during the period.

Finance Income

Finance income decreased by approximately 17.3% from RMB192.3 million in the first half of 2019 to RMB159.1 million (US$22.5 million) in the first half of 2020.

Other Income and Gains

Other income and gains increased by approximately 26.2% from RMB83.6 million in the first half of 2019 to RMB105.5million (US$14.9 million) in the first half of 2020.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by approximately 6.2% from RMB1,007.4 million in the first half of 2019 to RMB945.1 million (US$133.8 million) in the first half of 2020. During the period, we incurred less selling and distribution expenses as there was a slow-down in marketing activities and less promotional expenses budget due to the impact of the COVID-19 pandemic.

Administrative Expenses

Our administrative expenses increased by approximately 12.1% from RMB1,055.2 million in the first half of 2019 to RMB1,182.6 million (US$167.4 million) in the first half of 2020, primarily due to the increase in administrative expenses as a result of our business expansion.

Impairment Losses on Financial Assets

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets decreased from approximately RMB5.0 million in the first half of 2019 to RMB3.1 million (US$0.4 million) in the first half of 2020.

Other Expenses

Our other expenses significantly increased from RMB41.5 million in the first half of 2019 to RMB162.2 million (US$23.0 million) in the first half of 2020. The increase primarily was mainly due to the increase of exchange loss.

Fair Value Gains on Investment Properties

Fair value gains on investment properties increased by approximately 41.5% from RMB29.1 million in the first half of 2019 to RMB41.2 million (US$5.8 million) in the first half of 2020. The increase was mainly due to the increased number of investment properties.

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

Fair value gains/losses on financial assets at fair value through profit or loss primarily related to the wealth management products we purchased from domestic commercial banks. We recorded a fair value gain on financial assets of RMB0.2 million and fair value loss on financial assets of RMB21.2 million (US$3.0 million) in the first half of 2019 and 2020, respectively, arising from the realization of the investment income upon disposal of certain wealth management products, which caused a decrease in the fair value of the remaining unrealized financial assets.

Finance Costs

Our finance costs decreased by approximately 21.7% from RMB250.9 million in the first half of 2019 to RMB196.5 million (US$27.8 million) in the first half of 2020, primarily due to the increase in interest on our bank and other borrowings as a result of the increase in amount of borrowings and interest rates, partially offset by the decrease in weighted average cost of indebtedness.

Share of Profits/Losses of Joint Ventures

We recorded share of profits of joint ventures accounted for using the equity method of RMB44.1 million in the first half of 2019 and share of losses of joint ventures of RMB19.6 million (US$2.8 million) in the first half of 2020, primarily due to an increase in our relevant expenses shared resulting from the increased property projects held by our new joint ventures.

Share of Profits of Associates

Our share of profits of associates increased by approximately 194.5% from RMB169.6 million in the first half of 2019 to RMB499.4 million (US$70.7 million) in the first half of 2020, primarily due to the increase in delivery of property projects held by our associates during the first half of 2020.

Profit Before Tax

As a result of the aforementioned reasons, our profit before tax increased by approximately 13.9% from RMB3,193.3 in the first half of 2019 to RMB3,636.8 million (US$514.8 million) in the first half of 2020.

Income Tax Expense

Our income tax expense increased by approximately 10.2% from RMB1,294.6 million in the first half of 2019 to RMB1,426.7 million (US$201.9 million) in the first half of 2020.

Profit for the Period

As a result of the foregoing, our net profit increased by 16.4% from RMB1,898.7 in the first half of 2019 to RMB2,210.2 million (US$312.8 million) in the first half of 2020. Our net profit margin decreased from 6.0% in the first half of 2019 to 5.5% in the first half of 2020.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests increased from RMB694.6 million in the first half of 2019 to RMB1,004.4 million (US$142.2 million) in the first half of 2020, primarily because the total GFA delivered by the project companies with non-controlling interests increased significantly.

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

Revenue

Our revenue increased by approximately 87.5% from RMB30,214.7 million in 2018 to RMB56,639.6 million (US$8,016.8 million) in 2019, primarily due to the increase in revenue derived from our sales of properties.

The table below sets forth a summary of revenues derived from each of our business lines:

	Year Ended December 31,				
	2018		2019		
	RMB	%	RMB	US$	%
	(In thousands, except for percentages)				
Sales of properties	29,992,092	99.3%	56,383,676	7,980,591	99.5%
Management consulting services	211,845	0.7%	244,044	34,542	0.4%
Property management services	6,321	0.0%	—	—	—
Property lease	4,430	0.0%	11,876	1,681	0.0%
Total	30,214,688	100.0%	56,639,596	8,016,814	100.0%

Revenue from sales of properties. Revenue derived from sales of properties increased by approximately 88.0% from RMB29,992.1 million in 2018 to RMB56,383.7 million (US$7,980.6 million) in 2019, primarily due to an increase in the total recognized GFA from 2,696,799 sq.m. in 2018 to 5,621,427 sq.m. in 2019, partially offset by the decrease in the recognized ASP of properties we delivered from RMB11,121 per sq.m. in 2018 to RMB10,030 per sq.m. in 2019 as a result of the decrease in proportion of recognized revenue contributed by Yangtze River Delta Economic Region where generally have higher ASP.

Management consulting services. Revenue derived from management consulting services increased from RMB211.8 million in 2018 to RMB244.0 million (US$34.5 million) in 2019.

Property management services. Revenue derived from property management services decreased from RMB6.3 million in 2018 to nil in 2019 as a result of the disposal of such ancillary business upon Reorganization in the process of the initial public offering.

Property lease. Revenue derived from property lease increased from RMB4.4 million in 2018 to RMB11.9 million (US$1.7 million) in 2019, mainly contributed by the investment properties located in Wenzhou.

Cost of Sales

Our cost of sales increased by approximately 86.5% from RMB23,303.8 million in 2018 to RMB43,457.3 million (US$6,151.0 million) in 2019, which was in line with the increase in the our total revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 90.7% from RMB6,910.8 million in 2018 to RMB13,182.3 million (US$1,865.8 million) in 2019. Our gross profit margin increased from 22.9% in 2018 to 23.3% in 2019, which was primarily because of the higher profitability of the projects delivered in 2019.

Finance Income

Finance income increased by approximately 45.8% from RMB353.7 million in 2018 to RMB515.6 million (US$73.0 million) in 2019, primarily due to the increase in bank balances and cash.

Other Income and Gains

Other income and gains increased by approximately 146.1% from RMB95.0 million in 2018 to RMB233.9 million (US$33.1 million) in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 52.2% from RMB1,333.9 million in 2018 to RMB2,030.1 million (US$287.3 million) in 2019, primarily attributable to the increase in marketing expenses incurred for the promotion of property projects available for pre-sale in 2019.

Administrative Expenses

Our administrative expenses increased by approximately 54.7% from RMB1,648.3 million in 2018 to RMB2,549.7 million (US$360.9 million) in 2019, primarily due to an increase in administrative and staff costs as a result of the our business expansion in 2019.

Impairment Losses on Financial Assets

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets decreased from approximately RMB11.0 million in 2018 to RMB9.9 million (US$1.4 million) in 2019.

Other Expenses

Our other expenses increased from RMB197.8 million in 2018 to RMB255.2 million (US$36.1 million) in 2019.

Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased by approximately 30.7% from RMB72.0 million in 2018 to RMB49.9 million (US$7.1 million) in 2019.

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

Fair value losses on financial assets at fair value through profit or loss primarily related to the wealth management products we purchased from domestic commercial banks. We recorded a fair value loss on financial assets of RMB4.0 million and RMB6.9 million (US$1.0 million) in 2018 and 2019, respectively.

Finance Costs

Our finance costs increased by approximately 7.6% from RMB433.5 million in 2018 to RMB466.5 million (US$66.0 million) in 2019, primarily due to the increase in interest on our bank and other borrowings and senior notes as a result of the increase in amount of borrowings and interest rates, partially offset by the increase in interest capitalized in properties under development.

Share of Profits/Losses of Joint Ventures

We recorded share of losses of joint ventures of RMB82.2 million in 2018 and share of profits of joint ventures of RMB979.4 million (US$138.6 million) in 2019, primarily due to the delivery of property projects held by our joint ventures which generated profit in 2019.

Share of Profits of Associates

Our share of profits of associates decreased by approximately 64.4% from RMB717.5 million in 2018 to RMB255.4 million (US$36.1 million) in 2019, primarily due to the increase in delivery of property projects held by our associates in 2019.

Profit Before Tax

As a result of the aforementioned reasons, our profit before tax increased by approximately 123.0% from RMB4,438.5 million in 2018 to RMB9,898.1 million (US$1,401.0 million) in 2019.

Income Tax Expense

Our income tax expense increased by approximately 90.5% from RMB1,912.2 million in 2018 to RMB3,642.2 million (US$515.5 million) in 2019, primarily due to an increase in the profit before tax.

Profit for the Year

As a result of the foregoing, our net profit increased by 147.6% from RMB2,526.3 million in 2018 to RMB6,255.9 million (US$885.5 million) in 2019. Our net profit margin increased from 8.4% in 2018 to 11.0% in 2019.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests increased from RMB595.0 million in 2018 to RMB2,422.2 million (US$342.8 million) in 2019, primarily because the total GFA delivered by the project companies with non-controlling interests increased significantly.

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

Revenue

Our revenue increased by approximately 115.4% from RMB14,026.3 million in 2017 to RMB30,214.7 million in 2018, primarily due to the increase in revenue derived from our sales of properties.

The table below sets forth a summary of revenues derived from each of our business lines:

	Year Ended December 31,			
	2017		2018	
	RMB	%	RMB	%
	(In thousands, except for percentages)			
Sales of properties	13,913,179	99.2	29,992,092	99.3
Management consulting services	105,930	0.7	211,845	0.7
Property management services	7,190	0.0	6,321	0.0
Property lease	—	—	4,430	0.0
Total	**14,026,299**	**100.0**	**30,214,688**	**100.0**

Revenue from sales of properties. Revenue derived from sales of properties increased by approximately 115.6% from RMB13,913.2 million in 2017 to RMB29,992.1 million in 2018, primarily due to an increase in the total recognized GFA. The total recognized GFA increased from 1,062,659 sq.m. in 2017 to 2,696,799 sq.m. in 2018, primarily attributable to an increase in the number of properties sold and delivered in the Yangtze River Delta Economic Region, the Midwest China Economic Region and the Western Taiwan Straits Economic Zone. In addition, we commenced to generate revenue from properties located in the Pan-Bohai Economic Rim and the Pearl River Delta Economic Zone in 2018, respectively.

The overall recognized ASP per sq.m. slightly decreased from RMB13,093 per sq.m. in 2017 to RMB11,121 per sq.m. in 2018, primarily because we expanded into more cities in the Yangtze River Delta Economic Region where the recognized ASP per sq.m. of properties was generally lower than that of cities in the same region we entered into at the early stage. In addition, the decrease was also due to our geographic expansion into other economic regions where the average recognized ASP per sq.m. was also generally lower than that of the Yangtze River Delta Economic Region.

Management consulting services. Revenue derived from management consulting services increased from RMB105.9 million in 2017 to RMB211.8 million in 2018, primarily due to an increase in the number of joint ventures, associates and third parties which we have invested in.

Property management services. Revenue derived from property management services decreased from RMB7.2 million in 2017 to RMB6.3 million in 2018. We commenced to provide such services from the second half of 2017 which were excluded from our Group upon our Reorganization since April 2018.

Property lease. We started to recognize property lease income in the second half of 2018 which was derived from two of our completed investment properties. Revenue derived from property lease amounted to RMB4.4 million in 2018.

Cost of Sales

Our cost of sales increased by approximately 108.7% from RMB11,166.3 million in 2017 to RMB23,303.8 million in 2018, primarily due to a significant increase in the scale of our operations as evidenced by the increase in recognized GFA. Average cost per sq.m. recognized decreased from RMB10,460 per sq.m. in 2017 to RMB8,605 per sq.m. in 2018, primarily due to a decrease in land use right costs as we expanded into cities in the Yangtze River Delta Economic Region and other economic regions where the average land acquisition costs per sq.m. were relatively lower than those of the cities where we operated in 2017. To a lesser extent, construction costs as a percentage of total cost of sales also decreased, benefiting from our cost control efforts and increasing economy of scale.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 141.6% from RMB2,860.0 million in 2017 to RMB6,910.8 million in 2018. The increase was primarily due to our significant increase in recognized GFA which resulted in the increase in our revenue that outpaced the increase in our cost of sales. Our gross profit margin increased from 20.4% in 2017 to 22.9% in 2018, which was primarily due to the increased proportion of recognized GFA with a higher gross profit margin in 2018 due to the lower land acquisition cost in cities where we expanded into.

Finance Income

Finance income increased by approximately 134.5% from RMB150.8 million in 2017 to RMB353.7 million in 2018, primarily due to an increase in interests on funds we provided primarily to Suzhou Jinjian, as well as an increase in interest income on our bank deposits resulting from our increase in sales.

Other Income and Gains

Other income and gains increased by approximately 287.7% from RMB24.5 million in 2017 to RMB95.0 million in 2018, primarily due to a RMB33.3 million increase in gain on disposal of subsidiaries.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 61.9% from RMB823.7 million in 2017 to RMB1,333.9 million in 2018, primarily attributable to the increase in our advertising and marketing expenses to promote new property projects.

Administrative Expenses

Our administrative expenses increased by approximately 135.1% from RMB701.2 million in 2017 to RMB1,648.3 million in 2018, primarily due to our business expansion, resulting in the increase in our administrative staff costs as the management and administrative headcounts increased, the overall increases in entertainment expenses, office and meeting expenses, traveling expenses, tax and other surcharges, and other miscellaneous expenses. In addition, we incurred listing expenses of RMB34.8 million in 2018, compared with the listing expenses of RMB2.0 million in 2017.

Impairment Losses on Financial Assets

We made prudent general provisions for losses arising from potential bad debts in respect of our receivables. Impairment losses on financial assets increased from approximately RMB2.2 million in 2017 to RMB11.0 million in 2018, which was in line with the continuous increase in our total trade and other receivables during such periods.

Other Expenses

Our other expenses significantly increased from RMB20.3 million in 2017 to RMB197.8 million in 2018, primarily due to a RMB80.5 million increase in penalty expenses and a disposal loss of RMB70.9 million on subsidiaries.

Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased by approximately 72.5% from RMB261.9 million in 2017 to RMB72.0 million in 2018. The decrease was mainly because we did not add any new investment properties in 2018, while the construction of the existing investment properties had been approaching to completion, the level of appreciation in value of such investment properties was relatively lower as compared to that in 2017. Fair value gains on investment properties in 2017 and 2018 were mainly attributable to the appreciation in value of Wenzhou Longwan Zhongliang Huahong Capital ONE, Qingtian Zhongliang Joy Plaza, Sanmen Zhongliang Glory Mansion, and Ruijin Zhongliang Fortune Garden.

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

Fair value losses on financial assets at fair value through profit or loss primarily related to the wealth management products we purchased from domestic commercial banks. We recorded a fair value loss on financial assets of RMB5.4 million and RMB4.0 million in 2017 and 2018, respectively, arising from the realization of the investment income upon disposal of certain wealth management products, which caused a decrease in the fair value of the remaining unrealized financial assets. We had reduced the purchases of wealth management products since late 2017 because we applied more available capital resources to our property development activities.

Finance Costs

Our finance costs increased by approximately 21.7% from RMB356.3 million in 2017 to RMB433.5 million in 2018, primarily due to an increase of RMB216.7 million in interests of bank and other borrowings and an increase of RMB111.8 million in interest expense arising from revenue contracts in connection with the significant increase in our pre-sales of our property projects, partially offset by an increase of RMB251.3 million in capitalized interest.

Share of Losses of Joint Ventures

Our share of losses of joint ventures decreased by approximately 39.0% from RMB134.8 million in 2017 to RMB82.2 million in 2018, primarily because some of our joint ventures completed and delivered the property projects they developed over such period, and therefore, commenced to generate revenue.

Share of Profits of Associates

Our share of profits of associates increased significantly from RMB14.6 million in 2017 to RMB717.5 million in 2018, primarily because some of our associates completed and delivered the property projects they developed over such period, and therefore, commenced to generate revenue.

Profit Before Tax

As a result of the foregoing, we recognized profit before tax of RMB1,267.9 million and RMB4,438.5 million in 2017 and 2018, respectively.

Income Tax Expense

Our income tax expense increased from RMB769.3 million in 2017 to RMB1,912.2 million in 2018, primarily due to a significant increase in our profit before tax.

Profit for the Year

As a result of the foregoing and particularly due to the fact that the delivery of our properties only accelerated since late 2017 and throughout 2018, our net profit increased by 406.7% from RMB498.6 million in 2017 to RMB2,526.3 million in 2018. Our net profit margin increased from 3.6% in 2017 to 8.4% in 2018, primarily due to the increase in gross profit margin and the increase in the share of profits of associates during the year.

Loss/Profit Attributable to Non-controlling Interests

Loss/profit attributable to non-controlling interests fluctuated during the relevant periods, primarily due to the varying non-controlling interests in our project companies in the relevant periods. Loss attributable to non- controlling shareholders in 2017 was mainly due to the fact that most of the relevant project companies with non- controlling interests had not started to deliver properties and recognize revenue, therefore operating at a loss. It improved to profit attributable to non-controlling shareholders in 2018, primarily because the total recognized GFA by the project companies with non-controlling interests increased significantly.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

We operated in a capital intensive industry and have financed our working capital, capital expenditure and other capital requirements primarily through cash generated from operations including proceeds from the sales and pre-sales of our properties, bank loans, which include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary, loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements, capital contribution from non-controlling shareholders and other financings. We may also look for additional financing opportunities, such as the issuance of corporate bonds, asset-backed securities programs and other debt offerings, to fund our property development operations. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

As of December 31, 2017, 2018 and 2019, we had cash and bank balances of RMB16,484.3 million, RMB23,080.4 million and RMB26,495.3 million (US$3,750.2 million), respectively, which consisted of cash and cash equivalents, pledged deposits and restricted cash.

Cash Flows Analysis

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

	Year Ended December 31,				Six Months Ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(In thousands)			
				(Unaudited)	(Unaudited)		(Unaudited)
Operating cash flows before movements in working capital	1,349,003	3,940,354	8,791,034	(1,244,290)	3,049,119	3,413,535	(483,155)
Net cash flows (used in)/generated from operating activities	(6,837,787)	8,036,946	(20,329,026)	(2,877,387)	(9,760,588)	(7,854,724)	(1,111,764)
Net cash flows generated from/(used in) investing activities	1,948,578	(11,506,643)	(5,012,134)	(709,422)	438,990	(7,060,130)	(999,297)
Net cash flows generated from financing activities	10,789,761	7,273,193	25,750,826	3,644,793	4,834,452	19,495,261	2,759,375
Net increase in cash and cash equivalents	5,900,552	3,803,496	409,666	57,984	(4,487,146)	4,580,407	648,315
Cash and cash equivalents at the beginning of the year	4,847,470	10,748,022	14,551,518	2,059,634	14,551,518	14,955,756	2,116,850
Cash and cash equivalents at the end of the year	10,748,022	14,551,518	14,955,756	2,116,850	10,064,372	19,540,440	2,765,770

Net Cash Flows (Used in)/Generated from Operating Activities

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

For the six months ended June 30, 2020, our net cash used in operating activities was RMB7,854.7 million (US$1,111.8 million), which was the result of the cash used in operations of RMB4,276.1 million (US$605.2 million), tax paid of RMB2,048.8 million (US$290.0 million) and interest paid of RMB1,688.8 million (US$239.0 million), partially offset by interests received of RMB159.1 million (US$22.5 million). Cash used in operations prior to changes in working capital was RMB3,413.5 million (US$483.1 million), consisting of profit before tax of RMB3,636.8 million (US$514.8 million), adjusted primarily for share of profits and losses of associates of RMB499.4 million (US$70.7 million), finance costs of RMB196.5 million (US$27.8 million), finance income of RMB159.1 million (US$22.5 million), impairment losses recognized for properties under development of RMB152.8 million (US$21.6 million) and gain on disposal of associates of RMB46.9 million (US$6.6 million). Changes in working capital contributed to a net cash outflow of RMB7,689.7 million (US$1,088.4 million), primarily comprising an increase in properties under development and completed properties held for sale of RMB13,708.5 million (US$1,940.3 million), an increase in prepayments and other receivables of RMB6,828.9 million (US$966.6 million) and an increase in restricted cash of RMB3,430.0 million (US$485.5 million), partially offset by an increase in contract liabilities of RMB9,222.7 million (US$1,305.4 million), an increase in other payables and accruals of RMB6,721.2 million (US$951.3 million) and an increase in trade and bills payables of RMB587.6 million (US$83.2 million).

For the year ended December 31, 2019, our net cash used in operating activities was RMB20,329.0 million (US$2,877.4 million), which was the result of the cash used in operations of RMB13,529.2 million (US$1,914.9 million), tax paid of RMB3,536.9 million (US$500.6 million) and interest paid of RMB3,721.3 million (US$534.5 million), partially offset by interests received of RMB458.4 million (US$65.8 million). Cash used in operations prior to changes in working capital was RMB8,791.0 million (US$1,244.3 million), consisting of profit before tax of RMB9,898.1 million (US$1,401.0 million), adjusted primarily for share of profits and losses of joint ventures of RMB979.4 million (US$138.6 million), finance income of RMB515.6 million (US$73.0 million) and finance costs of RMB466.5 million (US$66.0 million). Changes in working capital contributed to a net cash outflow of RMB22,320.2 million (US$3,159.2 million), primarily comprising an increase in properties under development and completed properties held for sale of RMB28,384.1 million (US$4,017.5 million), an increase in prepayments and other receivables of RMB18,080.6 million (US$2,559.1 million) and an increase in restricted cash of RMB2,302.6 million (US$325.9 million), partially offset by an increase in contract liabilities of RMB21,811.7 million (US$3,087.2 million), an increase in trade and bills payables of RMB3,778.1 million (US$534.8 million) and an increase in other payables and accruals of RMB1,571.6 million (US$222.4 million).

For the year ended December 31, 2018, our net cash generated from operating activities was RMB8,036.9 million, which was the result of the cash generated from operations of RMB13,026.7 million, partially offset by tax paid of RMB2,879.4 million and interest paid of RMB2,395.5 million. Cash generated from operations prior to changes in working capital was RMB3,940.4 million, consisting of profit before tax of RMB4,438.5 million, adjusted primarily for share of profits and losses of joint ventures of RMB717.5 million, finance costs of RMB433.5 million and finance income of RMB353.7 million. Changes in working capital contributed to a net cash inflow of RMB9,086.4 million, primarily comprising an increase in contract liabilities of RMB43,590.0 million, an increase in other payables and accruals of RMB15,181.5 million, partially offset by an increase in properties under development and completed properties held for sale of RMB39,480.7 million and an increase in prepayments and other receivables of RMB11,242.8 million.

For the year ended December 31, 2017, our net cash used in operating activities was RMB6,837.8 million, which was the result of cash used in operations of RMB3,697.7 million, interest paid of RMB2,204.8 million and tax paid of RMB1,082.8 million, partially offset by interests received of RMB147.6 million. Cash generated from operations prior to changes in working capital was RMB1,349.0 million, consisting of profit before tax of RMB1,267.9 million, adjusted primarily for finance costs of RMB356.3 million, fair value gains on investment properties of RMB261.9 million, finance income of RMB150.8 million and share of profits and losses of joint ventures of RMB134.8 million. Changes in working capital contributed to a net cash outflow of RMB5,046.7 million, primarily comprising an increase in properties under development and completed properties held for sale of RMB43,331.9 million, partially offset by an increase in contract liabilities of RMB35,008.6 million and an increase in other payables and accruals of RMB4,026.3 million.

Net Cash Flows Generated from/(Used in) Investing Activities

Net cash used in our investing activities is primarily related to cash outflow in connection with advances to related companies, acquisition of subsidiaries, investments in joint ventures and associates, and purchases of investment properties. Net cash generated from our investing activities is primarily related to cash inflow in connection with repayments of advances to related companies, disposal of investment in associates and joint ventures.

For the six months ended June 30, 2020, our net cash flows used in investment activities amounted to RMB7,060.1 million (US$999.3 million), primarily consisted of advances to related companies of RMB10,461.2 million (US$1,480.7 million), investments in joint ventures and associates of RMB5,087.9 million (US$720.1 million) and purchase of investment properties of RMB357.4 million (US$50.6 million), partially offset by repayments of advance to related companies of RMB9,041.6 million (US$1,279.8 million).

For the year ended December 31, 2019, our net cash flows used in investment activities amounted to RMB5,012.1 million (US$709.4 million), primarily consisted of advances to related companies of RMB18,126.2 million (US$2,565.6 million), investments in joint ventures and associates of RMB4,654.5 million (US$658.8 million) and disposal of investments in subsidiaries of RMB320.9 million (US$45.4 million), partially offset by repayments of advance to related companies of RMB18,522.6 million (US$2,621.7 million).

For the year ended December 31, 2018, our net cash flows used in investment activities amounted to RMB11,506.6 million, primarily consisted of advances to related companies of RMB37,936.1 million, investments in joint ventures and associates of RMB3,467.8 million and acquisitions of subsidiaries of RMB405.7 million, partially offset by repayments of advance to related companies of RMB30,251.5 million.

For the year ended December 31, 2017, our net cash flows generated from investment activities amounted to RMB1,948.6 million, primarily consisted of the repayment of advances to related parties of RMB28,116.3 million, partially offset by the advances to related companies in the amount of RMB23,739.2 million.

Net Cash Flows Generated from Financing Activities

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

For the six months ended June 30, 2020, net cash flows generated from financing activities amounted to RMB19,495.3 million (US$2,759.4 million), primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB27,317.8 million (US$3,866.6 million); (ii) advances from related companies of RMB7,902.9 million (US$1,118.6 million); (iii) proceeds from issue of senior notes of RMB3,478.4million (US$492.3 million); and (iv) capital contribution from noncontrolling shareholders of subsidiaries of RMB3,449.9 million (US$488.3 million), partially offset by (i) the repayments of interest-bearing bank and other borrowings of RMB18,339.7 million (US$1,180.4 million); and (ii) the repayments of advances from related companies of RMB4,074.2 million (US$576.7 million).

For the year ended December 31, 2018, net cash flows generated from financing activities amounted to RMB25,750.8 million (US$3,644.8 million), primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB39,567.6 million (US$5,600.4 million), (ii) advances from related companies of RMB15,310.1 million (US$2,167.0 million), (iii) capital contribution from non-controlling shareholders of subsidiaries of RMB5,660.4 million (US$801.2 million), (iv) proceeds from issue of senior notes of RMB4,096.0 million (US$579.8 million), and (v) proceeds from issue of shares of RMB2,815.5 million (US$398.5 million), partially offset by (i) the repayments of interest-bearing bank and other borrowings of RMB30,322.6 million (US$4,291.9 million) and (ii) the repayments of advances from related companies of RMB10,829.9 million (US$1,532.9 million).

For the year ended December 31, 2018, net cash flows generated from financing activities amounted to RMB7,273.2 million, primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB31,288.0 million, and (ii) advances from related companies of RMB18,675.9 million, partially offset by (i) the repayments of interest-bearing bank and other borrowings of RMB28,577.8 million and (ii) the repayments of advances from related companies of RMB15,958.0 million.

For the year ended December 31, 2017, net cash flows generated from financing activities amounted to RMB10,789.8 million, primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB15,867.6 million, (ii) advances from related companies of RMB22,018.6 million, and (iii) capital contribution from non-controlling shareholders of subsidiaries of RMB1,486.7 million, partially offset by (i) the repayments of advances from related companies of RMB16,581.0 million, and (ii) the repayments of interest- bearing bank and other borrowings of RMB11,617.9 million.

Contingent Liabilities

Guarantees

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

In addition, as of December 31, 2017, we provided guarantees for borrowings granted to Zhejiang Tianjian's subsidiaries, which used to be our related companies prior to June 27, 2018. Such guarantees had been released in 2018.

The following table sets forth our total guarantees as of the dates indicated.

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
	(In thousands)					
				(Unaudited)	(Unaudited)	(Unaudited)
Guarantees given to banks in connection with facilities granted to purchasers of our properties	20,816,265	28,897,294	51,717,760	7,320,174	56,210,615	7,956,096
Guarantees given to banks and other institutions in connection with facilities granted to related parties	435,000	6,594,169	10,228,866	1,447,802	8,523,730	1,206,456
Total	**6,699,076**	**21,251,265**	**61,946,626**	**8,767,976**	**64,734,345**	**9,162,552**

Legal Contingents

We are involved in lawsuits and other proceedings in the ordinary course of business. We believe that no liabilities resulting from these proceedings will have a material adverse effect on our business, financial condition or operating results. See "Business — Legal Proceedings" for more details.

We have assessed the claims and considered that the ultimate outcome of these legal proceedings will not have a material adverse effect on our financial position.

COMMITMENTS

Expenditure Commitments

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

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
	(In thousands)					
				(Unaudited)	(Unaudited)	(Unaudited)
Contracted but not provided for:						
— Property development activities	16,258,723	40,652,123	68,331,392	9,671,681	69,213,184	9,796,490
— Acquisition of land use rights	757,211	1,930,992	2,887,197	408,656	7,737,950	1,095,236
— Capital contributions payable to joint ventures and associates	616,278	1,464,253	3,999,720	566,124	4,056,736	574,194
Total	**17,632,212**	**44,047,368**	**75,218,309**	**10,646,461**	**81,007,870**	**11,465,920**

We intend to fund our expenditure commitments by using our cash flow generated from pre-sales/sales, bank and other financings and the net proceeds received from the initial public offering.

INDEBTEDNESS

General

The following table sets forth our total indebtedness as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
	(In thousands)					
				(Unaudited)	(Unaudited)	(Unaudited)
Current						
Bank loans — secured	887,000	490,000	2,193,310	310,443	2,226,080	315,081
— unsecured	—	232,000	—	—	—	—
Other loans — secured	3,488,744	5,854,621	10,378,095	1,468,924	9,361,796	1,325,076
— unsecured	178,860	673,201	890,550	126,049	1,618,205	229,042
Current portion of long-term bank loans — secured	1,375,822	4,593,900	4,786,982	677,553	3,155,014	446,563
Current portion of long-term other loans — secured	1,630,638	2,624,950	1,876,376	265,584	1,559,748	220,768
Senior notes	—	—	1,378,045	195,050	5,054,138	715,367
Total current	**7,561,064**	**14,468,672**	**21,503,358**	**3,043,603**	**22,974,981**	**3,251,897**
Non-current						
Bank loans — secured	9,863,878	5,211,318	11,991,707	1,697,316	22,510,087	3,186,096
— unsecured	—	820,000	1,150,000	162,772	—	—
Other loans — secured	6,944,504	4,844,927	2,718,849	384,828	4,532,690	641,561
— unsecured	106,899	1,660,000	—	—	—	—
Senior notes	—	—	2,817,326	398,767	2,791,595	395,125
Total non-current	16,915,281	12,536,245	18,677,882	2,643,683	29,834,372	4,222,781
Total	**24,476,345**	**27,004,917**	**40,181,240**	**5,687,285**	**52,809,353**	**7,474,679**

As of June 30, 2020, we provided guarantees amounting to RMB8,523.7 million (US$1,206.5 million) for certain bank and other borrowings extended to our joint ventures and associates.

Our total outstanding borrowings may fluctuate with the changes in financial needs for our business expansion and cash flow planning. Our total outstanding borrowings increased from RMB24,476.3 million as of December 31, 2017 to RMB27,004.9 million as of December 31, 2018 to RMB40,181.2 million (US$5,687.3 million) as of December 31, 2019 and further increased to RMB52,809.4 million (US$7,474.7 million) as of June 30, 2020, primarily due to the continuous increase in the construction activities resulting from our business expansion.

Our borrowings may be secured by our asset portfolio which includes investment properties, properties under development, equity in our subsidiaries, bank deposits and restricted cash. In addition, our borrowings may also be guaranteed by our subsidiaries. Moreover, our controlling shareholders and one of their associates have guaranteed certain of our borrowings up to RMB14,940.6 million and RMB9,638.8 million as of December 31, 2017 and 2018, respectively, which have been released as of December 31, 2019.

We are subject to certain customary restrictive covenants under our credit facilities with commercial banks. For example, the relevant subsidiaries are generally not allowed to grant guarantees in favor of any third parties that are expected to materially affect their financial position or their ability to perform the loan agreements. Certain of our subsidiaries are prohibited from merger, restructuring, 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 consent of the relevant banks. Certain of our banking facilities also contain cross-default provisions that if the relevant subsidiary defaults on the borrowing with the commercial banks, its affiliated commercial institutions, and/or other commercial financial institutions, as provided under the loan agreement, it may constitute an event of default and the relevant commercial banks would be entitled to accelerate payment of all or any part of the outstanding indebtedness and may terminate all commitments to extend further credit. These cross-default provisions typically only apply to the specific borrowing subsidiaries under the relevant loan agreements, with a very limited number of exceptions that the affiliated companies of the borrowing subsidiaries shall be subject to such cross-default provisions as well. Under certain real estate project loan agreements, the relevant subsidiaries are typically only allowed to apply the proceeds for the development of projects as specified in the agreements and are not allowed to adjust the proposed project development schedules without the prior consent of the relevant banks. In addition, a small number of our current loan agreements contain certain covenants of specific financial ratio requirements for the borrowing subsidiaries. For example, some of the loan agreements required the borrowing subsidiary to maintain the owners' equity or capital reserve to be not less than a certain amount. Some others required the borrowing subsidiary to maintain the debt to asset ratio or current ratio under a certain level, which vary from bank to bank. 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 are not aware of any breach of any of the covenants, including the financial ratio requirements, contained in our banking and other loan facilities constituting any event of default for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities.

The weighted average effective interest rates on our total borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that are outstanding as of December 31, 2017 and 2018 and 2019 and June 30, 2020 were 7.9%, 9.9%, 9.4% and 8.9%, respectively. The decrease in weighted average effective interest rates on our borrowings from 2018 to 2019 and the first half of 2020 was primarily a consolidated result of recent decrease in the bank loan interest rates, our strategy to reduce the proportion of trust financings which usually have a higher interest rates, and our increasing bargaining power due to our rapid business growth. The increase in weighted average interest rates in 2017 and 2018 was primarily because we borrowed more external borrowings to support our fast business growth.

As of June 30, 2020, our borrowings are dominated in Renminbi and U.S. dollars.

Our bank borrowings include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary. Our other borrowings include loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements.

Our approved unutilized credit facilities are covered by loan agreements which we entered into with the banks and other financial institutions. Our directors have confirmed that we do not currently have any concrete and material external financing plans outside our ordinary course of business. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although there is no assurance that we will be able to access bank financing on favorable terms or at all.

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

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
			(In thousands)			
				(Unaudited)	(Unaudited)	(Unaudited)
Bank loans repayable:						
Within one year or on demand	2,262,822	5,315,900	6,980,292	987,996	5,381,094	761,644
In the second year	7,744,978	3,979,318	11,251,174	1,592,500	16,033,415	2,269,383
In the third to fifth years, inclusive	2,118,900	2,052,000	1,890,533	267,588	6,476,672	916,713
	12,126,700	11,347,218	20,121,999	2,848,084	27,891,181	3,947,740
Other borrowings repayable:						
Within one year or on demand	5,298,242	9,152,772	13,145,021	1,860,557	12,539,749	1,774,886
In the second year	6,822,963	6,104,927	2,718,849	384,828	4,101,690	580,557
In the third to fifth years, inclusive	228,440	400,000	—	—	431,000	61,004
	12,349,645	15,657,699	15,863,870	2,245,385	17,072,439	2,416,447
Senior notes repayable:						
— Within one year	—	—	1,378,045	195,050	5,054,138	715,367
— In the second year	—	—	2,817,326	398,767	2,791,595	395,125
	—	—	4,195,371	593,816	7,845,733	1,110,491
Total	**24,476,345**	**27,004,917**	**40,181,240**	**5,687,285**	**52,809,353**	**7,474,679**

Trust Financing and Asset Management Arrangements

Similar to many other real estate developers in the PRC, we also enter into financing arrangements with trust companies, asset management companies and their financing vehicles 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. For more information, see the section entitled "Description of Other Material Indebtedness — Trust Financing and Asset Management Arrangements."

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of June 30, 2020, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

MARKET RISK

We are exposed to various types of market risks, including changes in prices of our raw materials, interest rate risks, foreign exchange risks, credit risks and inflation risks in the normal course of business.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our development costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

Interest Rate Risk

Our interest rate risk arises from interest-bearing bank and other borrowings. Borrowings at variable rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose us to fair value interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently do not use any derivative financial instruments but will consider hedging interest rate risk should the need arise.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our operating income, gross profits and profits. The PBOC loan prime rate in China (which affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2017, 2018 and 2019 and June 30, 2020 were 4.30%, 4.31%, 4.15% and 3.85%, respectively.

Foreign Exchange Risk

We conduct our sales and purchases in Renminbi. We recognize foreign exchange gain or loss on our statement of comprehensive income due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. As of June 30, 2020, our non-Renminbi assets and liabilities are mainly cash and cash equivalents and senior notes denominated in U.S. dollars or H.K. dollars. We did not entered into any foreign currency hedging arrangement. However, we will closely monitor our exposure to exchange rates in order to best preserve our cash value.

Credit Risk

We have no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. We divide financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, we have policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and our management performs ongoing credit evaluations of our counterparties. The credit period granted to the customers is generally six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, we regularly review the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. Our management makes periodic collective assessments for financial assets included in prepayments and other receivables and amounts due from related companies as well as individual assessments on the recoverability of other receivables and amounts due from related companies based on historical settlement records and past experience. We closely monitor financial assets included in prepayments and other receivables and amounts due from related companies. Our director believe that there is no material credit risk inherent in our outstanding balance of financial assets included in prepayments and other receivables and amounts due from related companies.

Inflation

According to the China Statistical Bureau, China's overall national rate, as represented by the general consumer price index, was approximately 1.59%, 2.1% and 2.9% in 2017, 2018 and 2019, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase.

Non-GAAP Financial Measures

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

- fair value gains on investment properties;
- fair value gains/(losses) on financial assets at fair value through profit or loss;
- share of profits and losses of joint ventures;
- share of profits and loss of associates;
- finance costs;
- depreciation; and
- amortization.

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/period. We operate in a capital-intensive industry. We use EBITDA in addition to profit for the year/period because profit for the year/period includes many accounting items associated with capital expenditures, such as depreciation and amortization, 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 and amortization expenses as well as reported tax positions, 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.

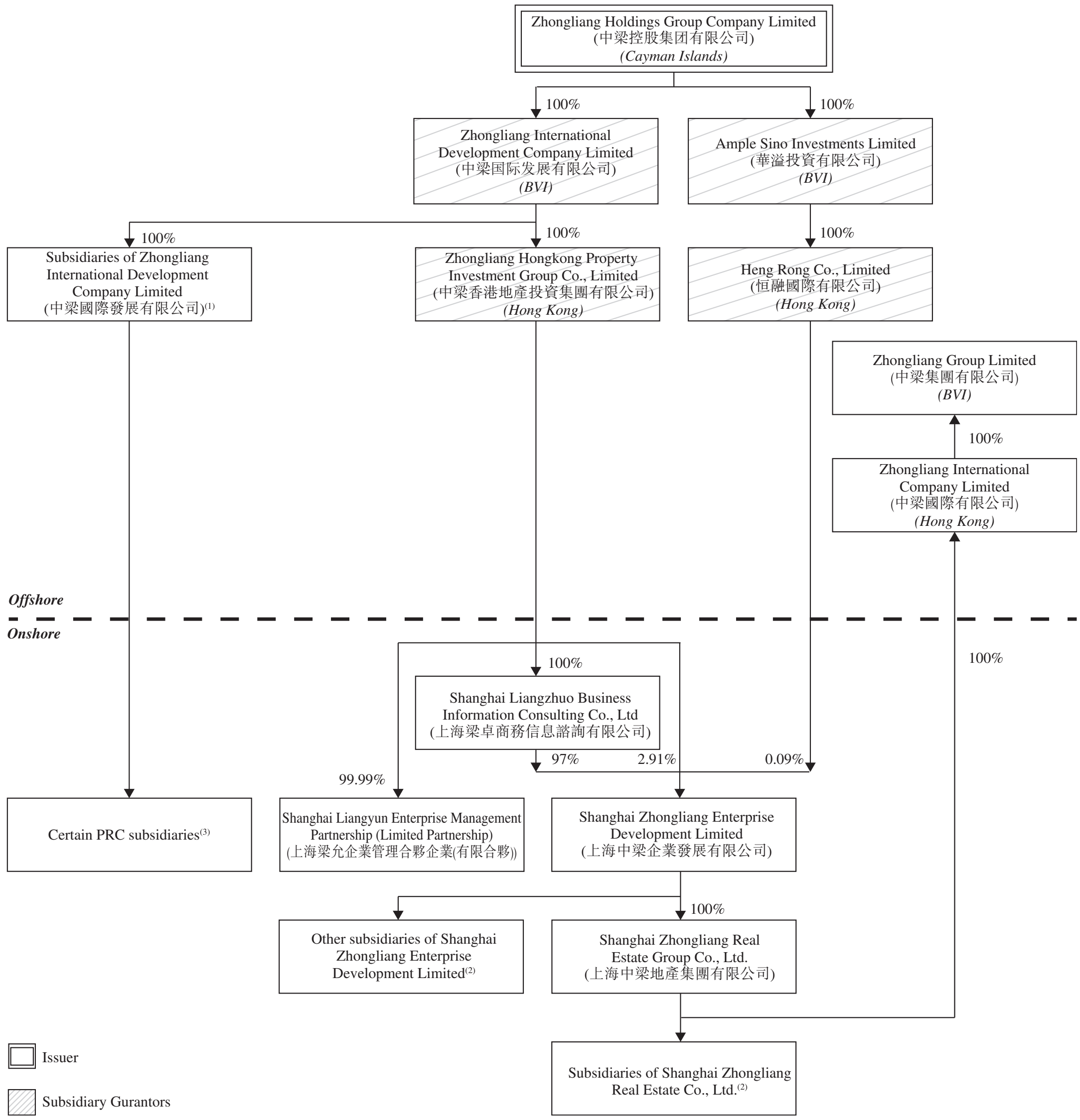
The following table reconciles our profit before tax under HKFRS to our definition of EBITDA for the years/period indicated.

	Year Ended December 31,				Six Months Ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands)						
				(Unaudited)			
Profit before tax	1,267,885	4,438,476	9,898,111	1,400,987	3,193,328	3,636,832	514,760
Adjustments:							
Fair value gains on investment properties	(261,898)	(71,971)	(49,855)	(7,057)	(29,093)	(41,176)	(5,828)
Fair value (gains)/losses on financial assets at fair value through profit or loss	5,378	4,039	6,880	974	(210)	21,221	3,004
Listing expenses	2,031	34,838	60,273	8,531	54,044	—	—
Finance costs	356,320	433,466	466,533	66,033	250,853	196,489	27,811
Depreciation	17,969	42,922	72,852	10,312	53,624	57,269	8,106
Amortization	198	259	789	112	161	1,461	207
Interest capitalized in cost of sales	996,345	1,381,790	1,654,787	234,220	574,404	1,191,153	168,597
EBITDA	2,384,228	6,263,819	12,110,370	1,714,112	4,097,111	5,063,249	716,656

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for taxes and other nonoperating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. You 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. See "Description of the Notes" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

CORPORATE STRUCTURE

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



Notes:

(1) As of the date of this offering memorandum, these included 20 offshore subsidiaries incorporated in Hong Kong and BVI respectively, both with no substantial business operations.

(2) As of the date of this offering memorandum, these included 1,225 subsidiaries (including two offshore subsidiaries incorporated in Hong Kong and BVI respectively, both with no substantial business operations) and 204 joint ventures and associates.

(3) As of the date of this offering memorandum, these included 13 PRC subsidiaries, all with no substantial business operations. Please see the section headed "Index to Financial Information" in this offering memorandum for further details and particulars of our major subsidiaries and joint ventures and associates.

OVERVIEW

We are a fast-growing large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. We were recognized as a top 20 real estate developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020.

Our growth is partially attributable to our implementation of various standardized modules, covering the entire value chain of property development from land acquisition, construction and development to marketing and sales, which aims to ensure high operating efficiency while maintaining relatively low operating costs and expenses. Our standardized land acquisition modules provide detailed land acquisition criteria and disciplined procedural guidance, taking various factors into consideration and applicable for various product types in different locations. We adopt multiple land acquisition methods to expand our land bank. We also implement standardized operating modules for design and development of our products. We currently offer three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鎏金系), targeting, first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each residential property series, we further fine-tune the products into two or three separate product lines. First-time home purchasers usually refer to those who buy their residential properties for the first time and are more concerned about the property's functionality, space efficient floor plan and purchase price. To cater to these purchasers, we develop properties, mainly the Star and Sea series, which are featured with well designed living spaces, basic community facilities and other amenities as well as an affordable price. First-time home upgraders usually refer to those who are already home owners and expect to improve their existing living environment. These purchasers are concerned about the upgraded and comprehensive living spaces and utilities, community landscape, community reputation and ancillary facilities. To cater to these purchasers, we develop properties, mainly the Mansion series, which are featured with multi-functional interior utilities, elegant building facade designs, and comfortable and secured community facilities. Second-time home upgraders usually refer to those who already own multiple residential properties. Such purchasers are looking not only for functionality, but also to use their homes to socialize with others to enhance their overall living experience. To cater to these purchasers, we develop properties, mainly the Metropolis series, which are featured with high quality construction materials and tasteful interior and exterior designs, large living spaces, grand and leisure community facilities that can accommodate various activities for different groups of residents.

We have established a valuable product database with over 70 sets of standardized product design models. We formulate and implement standardized marketing modules which are embedded with multiple standardized key performance indicators to evaluate and improve effectiveness of our marketing efforts. We believe our comprehensive standardized operational modules and procedures are the key to our success in rapid replication and expansion.

Our growth is also attributable to our management system, the Amoeba Ecosystem. Under our Amoeba Ecosystem, a large business group is divided into a number of small business units, so-called "Amoebas" or "Amoeba units," each of which enjoys sufficient operational autonomy and adopts a result-oriented evaluation and incentive approach, thus encouraging each employee to be actively involved in the management and to share responsibilities and benefits. Such character enables quick horizontal replication and expansion which works well with property development business due to its highly replicable nature. With sufficient autonomy, each Amoeba unit enjoys flexibility in daily operation and management, which motivates well-adapted and competent employees and inherently eliminates the incompetent ones. We believe this enhances our competitiveness and vitality. The flexibility of our Amoeba Ecosystem also enables our senior management to promptly react to ever changing market trends, capturing the emerging opportunities or minimizing the potential risks arising therefrom. Taking advantage of our Amoeba Ecosystem, we have achieved significant growth and the number of our onshore subsidiaries had increased from 541 as of December 31, 2017 to 1,240 as of June 30, 2020 and the number of our employees from over 6,360 as of December 31, 2017 to over 12,500 as of June 30, 2020.

We strive to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. Our residential property projects have also been well recognized. We also engage in the development, operation and management of commercial properties and hold a portion of such commercial properties for future investment purpose. We intend to continue to enhance and expand our product portfolio by developing new products catering to the needs of our target customers in different locations. We also plan to prudently pursue new growth opportunities by expanding into new operations that are complementary to our current business. We believe a balanced product mix will help diversify our revenue streams, generate recurring income, optimize our resources and assets allocation, and enhance the value and attractiveness of our properties located in the neighboring regions, thus making us less susceptible to any particular market segment.

As of June 30, 2020:

- we had established presence in 149 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone;

- we had 504 projects, including 364 projects developed by our subsidiaries and 140 projects developed by our joint ventures and associates, at various development stages; and

- total land bank attributable to us amounted to 50.7 million sq.m., including:

  - approximately 44.3 million sq.m. for property projects developed by our subsidiaries, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 4.8 million sq.m., properties under development with an aggregate planned GFA of approximately 33.3 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 6.2 million sq.m.; and

  - approximately 6.3 million sq.m. attributable to us for property projects developed by our joint ventures and associates, comprising completed properties available for sale, lease or investment with an aggregate GFA of approximately 0.4 million sq.m., properties under development with an aggregate planned GFA of approximately 5.1 million sq.m. and properties held for future development with an aggregate estimated GFA of approximately 0.8 million sq.m.

The aggregate contracted sales of our Group, taking into account the entire contracted sales by our joint ventures and associates, were approximately RMB64.9 billion, RMB101.5 billion, RMB152.5 billion and RMB67.7 billion, respectively, for the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020. For the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020, our revenue was RMB14,026.3 million, RMB30,214.7 million, RMB56,639.6 million (US$8,016.8 million) and RMB23,766.6 million (US$3,363.9 million), respectively. We recorded a net profit of RMB498.6 million, RMB2,526.3 million, RMB6,255.9 million (US$885.5 million) and RMB2,210.2 million (US$312.8 million) in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

OUR STRENGTHS

We believe our primary competitive strengths are:

A Fast-growing Large-scale Comprehensive Real Estate Developer with National Footprint and an Established Brand Name in China

Fast-growth with National Footprint

We are a fast-growing large-scale comprehensive real estate developer in China, based in the Yangtze River Delta Economic Region with a national footprint. We focus on the development of residential properties and have recently expanded into the development, operation and management of commercial properties.

We were recognized as a top 20 real estate developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019 and 2020. We were also ranked first among the top 10 real estate developers in China in terms of growth rate in 2018 and development potential in 2019, respectively, by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center. We have experienced a significant growth in recent years. Our revenue increased from RMB14,026.3 million in 2017 to RMB56,639.6 million (US$8,016.8 million) in 2019. For the six months ended in 2019 and 2020, our revenue was RMB20,556.6 million and RMB23,766.6 million (US$3,363.9 million), respectively. Total land bank attributable to us increased from approximately 19.0 million sq.m. as of December 31, 2017 to 36.4 million sq.m. as of December 31, 2018, to 45.6 million sq.m. as of December 31, 2019 and further to 50.7 million sq.m. as of June 30, 2020.

With approximately 19 years of experience in the real estate industry in China, we have developed from a regional residential real estate developer focusing on the Yangtze River Delta Economic Region to a comprehensive real estate developer with national footprint. As of June 30, 2020, we had developed a portfolio of 504 projects, comprising 364 projects developed by our subsidiaries and 140 projects developed by our joint ventures and associates and had established presence in 149 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. We plan to further capitalize on the emerging opportunities and growth potentials in those regions.

Well-recognized Brand Name

Leveraging our product development capability and quality real estate projects, we have well established our "Zhongliang" brand name nationwide. Our strong reputation, brand name and proven track record have won us numerous prizes and awards. Our "Zhongliang" brand has been recognized as a top three most valuable real estate brand in eastern China for four consecutive years from 2015 to 2018 by PRC Real Estate Top 10 Research Team. Our projects have also been well recognized in the market. In 2017, our Jiaxing Zhongliang Wuyue Capital Park (嘉興中梁吳越首府) was accredited with the WELL-CS platinum pre-certification, being the first real estate project to receive such award in China, and the LEED-CS platinum pre-certification for LEED Building Design and Construction by the International WELL Building Institute and the U.S. Green Building Council, respectively.

We believe our established reputation and existing market position in China will help us achieve a sustainable long-term growth.

Quality Land Bank Secured by Efficient Expansion Strategy and Strong Land Acquisition Capabilities

Our success and rapid growth largely depends on our ability to accumulate quality land bank which is supported by our market foresights, strong land acquisition capabilities and multi-folded land acquisition methods. We believe such competitiveness will drive our future growth.

Standardized Land Acquisition Decision-making Process and Strong Execution Capability

Our market insights, in-depth understanding of property market dynamics and diversified land acquisition methods have enabled us to take advantage of the opportunities in the regional market cycles. We are able to reduce risk exposure to any particular region by expanding our operations into various regions. Our land acquisition strategy also enables us to expand our land bank in target locations with relatively lower costs during the market downturn. For instance, we implement multi-folded land acquisition methods to expand our land reserves. In addition to public tender, auction or listing-for-sale, we also acquire land parcels by cooperating with third-party business partners through joint ventures and associates, or by acquiring target projects or target project companies or through urban redevelopment opportunities.

Our efficient land acquisition decisions are assured by standardized land acquisition models, which set forth detailed land acquisition criteria and disciplined procedural guidance, based on various factors, such as product types, city levels and land acquisition methods. Among others, each potential project shall meet three sets of project screening and evaluation criteria, namely, development strategy criteria, market criteria and financial criteria. As part of our standardized operating process, our investment team follows detailed and standardized internal review procedures to complete the land acquisition process. Each potential project, from market accessibility to completion of land acquisition, is subject to 11 internal review sessions, and to a three-layered approval procedures jointly conducted by our headquarters, relevant regional group company and relevant regional company.

Sizeable Quality Land Bank Supporting Future Development

Our strong land acquisition capabilities have enabled us to quickly increase our land bank. We established our presence in 51 cities as of December 31, 2017 and further expanded into 149 cities across five strategic economic zones in China as of June 30, 2020. As of June 30, 2020, the total land bank attributable to us amounted to approximately 50.7 million sq.m., including 44.3 million sq.m. for property projects developed by our subsidiaries and 6.3 million sq.m. for property projects developed by our joint ventures and associates.

Established Standardized Real Estate Development Processes Ensuring Execution Capability

We have established standardized real estate development processes, covering the entire value chain of property development from land acquisition, general operations, to product development as well as sales and marketing, which enable us to swiftly replicate our property development success into new regions in a cost-effective manner. Standardization also facilitates our rapid-asset-turnover model by minimizing development costs and optimizing investment returns. We have formulated a number of standardized operational manuals based on our experience which set forth detailed guidance for our project companies located in different cities with respect to all material aspects of their daily operation.

Overall Standardized Operating Process

Our standardized operating procedures cover the entire real estate development cycle, which allow us to enhance asset turnover and operating efficiency while maintain consistent product quality, thus, enabling us to quickly expand into new regions. Leveraging our historical project development experience, we formulate and constantly modify our standardized operational manuals, which are essential for our execution proficiency and risk control. Guided by our efficient and standardized operational procedures, we usually require our project companies, from the date of land acquisition of a particular project, to complete the master project planning within five days, to complete the standard interior floor planning within eight days, to complete the application procedures for construction work planning permits in principal within three months, and to commence the pre-sales within six months. Such standardized operating procedures have enabled us to efficiently complete periodical preparation work beforehand at each stage and improve our operating efficiency.

Standardized and Appealing Product Design and Development

We implement standardized product design and development processes to develop a diversified product portfolio, catering to the needs of various targeting customer groups in different regional markets. We offer three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鎏金系), targeting first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each residential property series, we further fine-tune the products into two or three separate product lines. We have established a valuable product database with over 70 sets of standardized product design models, covering various aspects of floor planning, building elevation, demonstration area, decorated model homes, landscaping and other elements, which are applicable for different cities.

In addition, we have recently diversified our product mix by introducing the product lines of fully-fitted apartments. Based on our studies and analysis on the potential target customers and comparable competing products in the same location, we have developed four standardized lines of fully-fitted apartments, catering to diversified customer demands for properties with different spaces, functions and decoration as well as cost concerns.

Leveraging our established project construction and decoration standards backed up by our selected raw material suppliers, we are able to deliver property projects with consistent quality and to effectively control our construction costs at the same time. We have also built stable relationships with certain architectural and design firms. The quality of our projects is further assured by our strict execution, monitor and review procedures of product planning and design blueprints.

Moreover, we apply advanced equipment and facilities to our property projects, aiming to enhance the overall living experience of our customers. For example, some of our projects have been equipped with smart parking management systems, entrance guard systems and smart-home in-door security and lighting systems.

Standardized and Effective Marketing Capability

The success of our rapid-asset-turnover model is largely dependent on our effective marketing strategy and our standardized marketing modules and procedures.

We have accumulated extensive experience and in-depth understanding about the needs of our potential customers. We formulate and implement multiple standardized key performance indicators to evaluate and improve effectiveness of our marketing efforts. Our standardized operational modules for sales and marketing provide an efficient and consistent guidance on product position, promotional events, demonstration areas, pricing practice, marketing expenses control, third-party sales agents supervision and other aspects. We specify detailed periodical sales targets at the initial development stage based on the scale of the relevant project and other factors. Our marketing and sales teams are required to accomplish the pre-determined sales target within the required time period. For example, generally, a project is required to be contracted for over 70% of total units to be sold in the initial pre-sales within seven days from the launch of such pre-sale.

We perform extensive market studies on our target locations and customer groups. We carefully design localized marketing campaigns for each property project based on our market studies and adjust our marketing plans based on the market feedback we collect throughout the project development process. With respect to each property project, we design and launch various marketing activities suitable for property development operations at different stages. To facilitate our marketing and promotion, we from time to time organize high-key promotional events, such as inviting public figures, to promote awareness of and interests in our projects among local residents. At the initial stage of pre-sales, we focus on delivering high quality demonstration areas, including decorated model homes, sales offices and their neighboring landscape, which we believe will attract potential customers. Our sales and marketing teams are involved from the early stage of product design and development to provide professional advice which also help us to improve product offerings based on market trends and local customer preferences.

Rapid Growth Underpinned by Our Distinctive Amoeba Ecosystem

Our rapid growth in the recent years is largely attributable to our Amoeba Ecosystem. We have established and implemented our Amoeba Ecosystem since 2015.

Rapid Replication and Expansion Differentiating Us from PRC Competitors

The highly replicable character of the Amoeba Ecosystem enables quick horizontal replication and expansion which works well with real estate development business due to its highly replicable nature. In addition, as detailed in the section entitled "— Amoeba Ecosystem" below, the flexibility and competitiveness of our Amoeba Ecosystem assists us in addressing the three bottlenecks which real estate developers in China typically encounter, thus differentiating us from our competitors in China. We have officially included the Amoeba Ecosystem in our corporate value system.

Systematic Organization Advocating Self-fulfillment

We consider our employees as our cooperative partners. Under our Amoeba Ecosystem, rewards for our employees are linked with the performance of their Amoeba units, which aligns their interest with ours. Our Amoeba Ecosystem helps to achieve self-fulfillment of each Amoeba unit and each employee. It fosters an environment in which each member remains efficient and responsive, and stays cooperative and works toward the common business goals of our Group, which in turn, helps propel the growth of our Group. In addition, our Amoeba Ecosystem provides our employees with a transparent and foreseeable career path. Our rapid and systematic expansion provides capable and motivated employees with opportunities for career development. As such, we are able to attract and retain a sufficient number of well-trained management talents to support our sustainable growth.

Highly Scalable Ecosystem with Competitiveness and Vitality

The high scalability of our Amoeba Ecosystem with strong competitiveness and vitality serves as a foundation of our rapid growth in the recent years. Under our Amoeba Ecosystem, each of our Amoeba units enjoys sufficient operational autonomy and flexibility and the employees are motivated to pursue the maximized value of the Amoeba units which they belong to. As a result, the implementation of this ecosystem (i) enables the creation of a corporate culture which motivates well-adapted and competent employees and inherently eliminates those incompetent ones; (ii) promotes the competitiveness and vitality of each Amoeba unit and enhances the overall competitiveness and growth of our Group; (iii) enables our senior management to promptly react to evolving market trends, capturing the emerging opportunities or minimizing the potential risks; and (iv) drives the expansion and vitality of the entire ecosystem through the dynamic progress from initial formulation, expansion, competition, to consolidation, spin-off or elimination among the Amoeba units. The effective implementation of our Amoeba Ecosystem is underpinned by our fair evaluation and incentive plans, which are supported by our transparent systematic divisional accounting mechanism and information technologies. Taking advantage of our Amoeba Ecosystem, we have achieved significant growth and became profitable in 2017.

Visionary and Experienced Management Team

Our success has been, and will continue to be, dependent on the continuous service of our visionary and experienced senior management team with an in-depth understanding of the real estate industry in China. Our founder and chairman, Mr. Yang Jian (楊劍), has over 25 years of industry experience and is currently the executive vice president of the Zhejiang Chamber of Commerce, Shanghai, the executive vice president of Shanghai Federation of Industry and Commerce and the executive vice president of Wenzhou Chamber of Commerce, Suzhou, Jiangsu Province. Mr. Yang Jian has great market insights and strategically relocated our headquarters from Wenzhou to Shanghai in early 2016, which expedited the expansion of our nationwide footprint as we were able to attract more capital, human and other resources in Shanghai. Moreover, Mr. Yang Jian has proposed and implemented the Amoeba Ecosystem in our Group, which has contributed to our rapid growth since then.

Our senior management team consists of experienced professional managers, who have an average of over ten years of experience in the real estate industry in China, including project development and management, and sales and marketing. We believe our experienced management team is capable of executing our business development plans and continuously developing products that meet the needs of our targeting customers. Visionary and highly motivated management team is also key to our sustainable growth. On the other hand, we have also recruited experienced and dedicated employees with extensive industry experience in project development, product design, sales and marketing, financing and other areas in connection with our operations. Through our "Zhongliang Academy," we offer systematic training programs tailor-made for various positions to improve their industrial specialties and managerial skills.

We believe with the leadership of our visionary and experienced management team supported by our dedicated employees, we will achieve sustainable long-term growth and add value to our shareholders and other stakeholders.

OUR STRATEGIES

We strive to become a leading comprehensive real estate developer in the PRC. To achieve our goal, we intend to implement the following strategies:

Leverage Favorable Government Policies and Enhance Leadership in Existing Markets and Strategically Expand into New Regions with High-growth Potentials

We will continue our expansion strategies nationwide. We expect to solidify our current market positions by continuing our focus on the Yangtze River Delta Economic Region and further penetrate into the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone.

Taking advantage of our established brand name, extensive industry experience and strong property development capabilities, we expect to continue our penetration, enhance our investments and other resources and increase our market position and market share in our existing markets. We will also selectively expand our presence into other second-tier cities, such as Nanjing, Jinan and Fuzhou, and, subject to market conditions, to prudently tap into first-tier cities.

We will continue to focus on economically prosperous areas in China, such as the Yangtze River Delta Economic Region. Meanwhile, we also expect to explore emerging opportunities in regions supported by recent favorable government's development and planning policies, such as the midwest China area. Our past rapid growth was partly attributable to favorable government policies. Looking forward, we expect to continue to observe and adjust our strategies to take advantage of various government policies that are favorable to real estate market in China, so as to effectively adopt our procyclical sales strategy to strengthen the marketing and sales of our property projects during market upturns when the prevailing housing prices are typically higher and adopt countercyclical land acquisition strategy during the market downturns, which can expand our land bank in target locations at relatively lower costs.

Identify New Growth Opportunities by Utilizing Diversified Investment Strategies

We intend to adopt diversified investment strategies to improve our operational and financial performances. We intend to enhance our land acquisition strategies by increasing the cooperation with business partners in acquiring land parcels and the acquisition of third parties who have land use rights. We believe the combination of these land acquisition methods, together with public tender, auction or listing-for-sale, will help us to mitigate our investment risks and increase our economy of scale and profitability.

We also plan to prudently pursue new business opportunities that are complementary to our current business. In particular, we intend to expand our investment property portfolio from commercial to industrial, mixed-use properties and other types of properties. We intend to hold a portion of our investment properties for long-term operation and management. We expect to increase such investment properties in the future in response to the changing market conditions and customer demands. We believe these investment properties and potential new businesses will help reduce volatility of our revenue, diversify our revenue stream, optimize our resource and asset allocation, and enhance the value and attractiveness of our residential properties in the vicinity.

Continue to Optimize Our Product Portfolio and Enhance Product Quality

We will continue to develop and offer quality property projects. We will optimize our product portfolio to meet the needs and expectations of our various target customer groups and accommodate our long-term development strategies, aiming at improving our customers' living experience. We also intend to optimize our product portfolio within a specific regions or city to attract various customer groups with different interests and purchasing power. We are also in the process of developing standardized product design and development modules for such new product types which will accelerate the future development process. In addition, as we expand into new regions in China, we aim to develop and upgrade our product portfolio that will best suit such new locations and new target customers.

Moreover, as part of our development strategy to identify and develop industrial properties and urban renewal and redevelopment projects, we have been actively conducting feasibility studies and distinguishing the property development processes that are suitable for such new projects.

We will continue to review and improve our standardized product quality control to ensure that our future products will maintain a consistent quality. We have established and expect to continue to improve the comprehensive set of stringent standardized technical and quality control and inspection guidelines. We plan to enhance our brand image and recognition among potential customer base by continuing to develop and deliver quality real estate properties.

Continue to Enhance Operating Efficiency by Increasing Standardization and Intelligent Management and Operation

We will uphold our rapid-asset-turnover model and continue to enhance our operating efficiency. We plan to further streamline, standardize, visualize and digitize our operation processes, so as to improve our comprehensive capacities ranging from property development, project investment, financing, product design, sales and marketing, cost control as well as overall execution capability. We will enhance our standardized modules to cover more operating processes, products and services. We also expect to establish strategic supply chains to cover all product types and geographic regions. We will deepen market studies to collect information from our peers and markets and adapt to evolving environments. Despite the target rapid-asset-turnover, we will continue to periodically organize internal conferences to increase the awareness of safety and quality among our employees.

We will also constantly improve our operating efficiency by enhancing intelligent management and operation. We have established a dedicated IT department and have digitized comprehensive operating data, such as land acquisition, operating, construction, marketing and finance, to enable real-time online data tracking. Moreover, digitized operating data also helps improve the transparency during our daily operation through the real-time visualization of information collected from operating entities across the country. We intend to further upgrade our IT systems to streamline our quality control standards and specifications and ensure such standards and specifications of each projects are met. In the future, we expect to continue to enhance our intelligent management and operation and further extend our standardized operating modules by adding more data matrix, covering more procedures, and empowering big-data mining and analysis capabilities.

As such, our senior management will be able to make decisions and monitor our operations in a more effective and efficient way, which can further increase the economic returns from our property development.

Continue to Attract, Retain and Motivate Long-term Dedicated Employees

We believe high-quality employees, particularly high-quality management talents, who value our corporate culture and respect our management philosophies, are essential to our future success. We intend to continue to attract and retain skilled and talented employees through various initiatives, including valuable training programs, competitive compensation packages and effective performance-based evaluation and incentive system.

Our "Zhongliang Academy" aims to offer systematic training programs tailor-made for various positions to support employees' career plans. It offers training designed for newly recruited employees and training of specialized managerial skills for middle- to high-level management team members. We expect to leverage our "Zhongliang Academy" to enhance our employees' proficiency and deepen the awareness of our management philosophies, and to reinforce our corporate values among the employees so as to foster greater loyalty, engagement and commitment to their work.

In addition, we will continue to promote our Amoeba Ecosystem and deepen the implementation of Amoeba related incentive policies. We believe that our motivated employees who are committed to maximize the interests and economic returns of their Amoeba units will help maximize economic returns to our Group. We also believe our Amoeba Ecosystem advocated by devoted employees will further drive our business development.

Remain Dedicated to Prudent Financial Policies to Optimize Our Capital Structure

The real estate development industry is capital intensive. To sustain a long-term and healthy growth, we intend to adhere to our internal and industry financial policies and prudent cost management practices to control development costs and monitor our cash flow. Particularly, we will continue our prudent policies of cost control relating to our land acquisitions and construction activities. We will also continue our centralized procurement policy and adopt financial measures to monitor our administrative and sales and marketing expenses. We will strive to further utilize our working capital more efficiently. To this end, we will proactively consider multiple opportunities available to us in order to control risks of concentration of a particular type of property projects or in a particular location.

We will also adhere to our established dynamic realizable-market value-based inventory management approach to our operation to ensure flexibility in the pricing of our properties while maintaining appropriate level of cash flow and return from our property projects. We will also ensure sufficient level of cash flow while pursuing land acquisition opportunities prudently. Additionally, we endeavor to shorten our project development cycle and improve our operating efficiency by following our standardized property development modules, which we believe will expedite our asset turnover and enhance our liquidity position.

Furthermore, we will closely monitor our capital and indebtedness level by reviewing our gearing ratio and leverage ratio on a regular basis. We periodically monitor and analyze the maturity profiles of our borrowings and manage our liquidity level to maintain sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We have established long-term relationship with various large state-owned and joint-stock banks, such as Bank of China, China Construction bank, Agricultural Bank of China, China CITIC Bank, Bank of Communications, Shanghai Pudong Bank, Ping An Bank, China Minsheng Bank, China Merchants Bank, Bank of Shanghai and China Bohai Bank.

We will continue to carefully review any leverage that we use when we acquire new assets to expand our business with reference to cost, equity size and profit impact.

In addition to the issuance of the Notes, we will continue to explore various financing opportunities to improve our capital structure and reduce our cost of capital, such as the issuance of corporate bonds or other debt financings. We expect to reduce trust and asset management loans. We may seek investments from strategic equity investors to reduce our capital commitments. We will also continue to actively explore co-development opportunities with other reputable real estate developers to reduce the capital commitments in connection with land acquisitions and relevant project construction activities.

RECENT DEVELOPMENTS

The Recent Coronavirus Epidemic Outbreak

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 pandemic has adversely affected the livelihood of many people in and the economy of the PRC. The PRC central and local governments have taken various measures, including travel restrictions, to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. As a result of the timely and effective implementation of these measures, the PRC government has subsequently lowered emergency response levels to the COVID-19 pandemic since late March 2020, allowing businesses and factories to gradually reopen. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected.

Affected by the COVID-19 pandemic, property sales were delayed in early 2020. Our construction and sales activities were temporarily suspended by the ongoing COVID-19 pandemic in January 2020 to February 2020. Should the disruptions to our operations continue, we may experience delays in completion and delivery of our projects. We expect that the real estate industry will benefit from economic stimulus measures and favourable home purchase policies to be launched by the government. We believe that we are well positioned to capture the recovery in housing sales in the near future. The outbreak is however far from over, and in different countries, is showing signs of resurgence and further waves of infections are recorded everyday. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors — Risks Relating to Doing Business in the PRC — The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations."

AMOEBA ECOSYSTEM

Inspired by the widely-known Amoeba management system, we established Zhongliang Amoeba Management Ecosystem, or Amoeba Ecosystem, and implemented it within our Group since 2015. Our business has made a leap forward since the adoption our Amoeba Ecosystem.

Under our Amoeba Ecosystem, a large business group is divided into a number of small business units, so-called "Amoebas" or "Amoeba units," each of which enjoys sufficient operational autonomy and follows a result-oriented evaluation and incentive approach. Such autonomy and incentive-driven evaluation system encourages each employee who participates in the Amoeba Ecosystem to jointly undertake responsibilities and pursue the common objectives with our Group. Such mechanism enables quick horizontal replication and expansion which we believe is very well suited to the real estate development business due to its highly replicable nature.

Due to the high salability and strong vitality of our Amoeba Ecosystem as detailed under "— Our Strengths — Rapid Growth Underpinned by Our Distinctive Amoeba Ecosystem," we have achieved rapid expansion. We believe the continued implementation and improvement of our Amoeba Ecosystem will further motivate our employees and contribute to our geographic expansion, which in turn, will generate positive impact on our financial results in the future.

One of the supporting pillars of our Amoeba Ecosystem is our incentive plans, which include a co-investment mechanism with benefit- and risk-sharing features for our senior management and other employees. These policies align the mutual benefits of our employees and that of our Group, and further enable us to retain key employees and attract new management talents in our industry. We started to implement our co-investment schemes (the "Co-investment Schemes") in 2015 and adjusted the schemes from time to time to adapt to the changing market conditions and our operational needs. The investment contribution of each participant of the Co-investment Schemes varies, and generally correlates to their seniority and the scope of responsibility in the relevant project. With respect to each co-investment project, the participants for a particular property development project collectively invest with our Group by way of forming a limited partnership. Under our Co-investment Schemes, distributable benefits are expected to be distributed to the participants when the sales and the proceeds received in connection with a property project have achieved a pre-determined target percentage, and the distribution is conditional on the anticipated profitability and sufficient working capital reserved for the relevant project.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, with respect to each project company that adopts our Co-investment Schemes, the beneficial interest in each project company collectively and ultimately held by the relevant participants is typically no more than 6%.

OUR PROPERTY PROJECTS

Overview

With approximately 19 years of experience in the real estate industry in China, we have developed into a comprehensive real estate developer with national footprint. During the period from 2002 to 2009, we were at the early stage of development and primarily operated in Wenzhou through the property development platform of Zhejiang Tianjian. By establishing Shanghai Zhongliang Real Estate Co., Ltd. (上海中梁地產集團有限公司) ("Shanghai Zhongliang") in 2009, we laid the strategic focus of our property development operations in Shanghai. We commenced to shift the focus of our operations from the property development platform of Zhejiang Tianjian to that of Shanghai Zhongliang. We relocated our headquarters from Wenzhou to Shanghai in 2016. Leveraging our cumulated expertise and experience in the industry, the established standardized development processes, particularly, leveraging the implementation of our Amoeba Ecosystem in 2015, we had experienced a rapid growth in the recent years. We acquired 119, 221, 139 and 56 land parcels in 2017, 2018 and 2019 and the first half of 2020, respectively. Over the same period, our recognized GFA increased from 1,062,659 sq.m. in 2017 to 2,696,799 sq.m. in 2018, and to 5,621,427 sq.m. in 2019, and increased from 1,816,690 sq.m. in the first half of 2019 to 2,782,571 sq.m. in the first half of 2020.

We specialize in developing quality residential properties, which primarily include high-rise, mid-rise and low-rise apartment buildings and townhouses. We have adopted standardized models to develop a diversified product portfolio with three main series of residential properties, namely, the Star and Sea series (星海系), the Mansion series (拾光系) and the Metropolis series (鎏金系), targeting first-time home purchasers, first-time home upgraders and second-time home upgraders, respectively. Under each standardized residential property series, we further fine-tune the products into two or three separate product lines. Furthermore, we have recently established standardized product lines for fully-fitted apartments, which further amplifies our product mix.

We have also recently commenced the development of commercial properties. Currently, our commercial properties primarily consist of retail spaces adjacent to our residential properties, and we hold certain such commercial spaces as investment properties. As of June 30, 2020, the majority of our project are located in third- and fourth-tier cities and areas adjacent to first- and second-tier cities. In recent years, we have entered into several second-tier cities and intend to selectively expand our presence in second-tier cities, and, subject to market conditions, to prudently tap into first-tier cities.

As of June 30, 2020, our property projects at various stages of development were located in 149 cities across five core economic regions in China namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Economic Zone and the Pearl River Delta Economic Zone. As of the same date, we had a project portfolio of 504 projects, including 364 projects developed by our subsidiaries and 140 projects developed by our joint ventures and associates, at various development stages.

Classification of Our Property Projects

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

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

A project or project phase is classified as completed when the required land use right certificates issued by the relevant government authorities and the completed construction works certified reports/completion certificates have been obtained from the relevant government construction authorities. A project or a project phase is classified as under development when the required construction work commencement permits have been obtained but a completion certificate has not been obtained for all phases of the project. A project or a project phase is considered to be held for future development when (i) we have obtained the land use right certificates, but have not obtained the requisite construction work commencement permits or (ii) we have signed a land grant contract for the underlying parcel of land with relevant government authorities, but have not obtained the relevant land use right certificates. As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories.

Detailed descriptions of each of our projects as set forth in this offering memorandum are as of June 30, 2020, unless otherwise dated. The completion date set out in the descriptions of our completed projects or project phases refers to the date on which the last completed construction works certified report/completion certificate was obtained for each project or each project phase of a multi-phase project.

Total GFA as used in this offering memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for security offices, for which pre-sales permits will not be issued. Saleable GFA refers to the internal floor areas exclusive of non-saleable GFA.

Total saleable GFA is calculated as follows:

- for projects and project phases that are completed, based on the relevant property ownership certificate or property inspection report;
- for projects and project phases under development, based upon the relevant pre-sales permit, or based on other construction work planning documentation issued by relevant government authorities if the pre-sales permit is not available; and
- for projects and project phases that are held for future development, based upon our internal records and development plans. The total estimated GFA we intend to sell does not exceed the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project.

Our classification of our properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may require multiple land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sales permits and other permits and certificates, which may be issued at different times throughout the development process.

Land Bank and Property Portfolio

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 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. As of June 30, 2020, the total land bank attributable to us was approximately 50.7 million sq.m.

Our Property Projects

The following table sets forth the breakdown of the total land bank attributable to us developed by our subsidiaries in terms of geographic location as of June 30, 2020:

	Number of projects	Completed GFA available for sale/ leasable GFA[1] (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to us[2] (sq.m.)	% of total land bank attributable to us (%)	Total land bank[3] (sq.m.)
Yangtze River Delta Economic Region							
Zhejiang Province	87	2,317,318	4,748,185	1,062,191	8,127,694	16.0	8,127,694
Jiangsu Province	48	34,436	4,656,790	1,525,220	6,216,446	12.3	6,216,446
Anhui Province	31	—	2,627,882	383,868	3,011,750	5.9	3,011,750
Subtotal	**166**	**2,351,754**	**12,032,857**	**2,971,279**	**17,355,890**	**34.2**	**17,355,890**
Midwest China Economic Region							
Hunan Province	20	452,435	2,204,811	1,315,502	3,972,748	7.8	3,972,748
Henan Province	23	136,737	3,160,329	239,202	3,536,268	7.0	3,536,268
Yunnan Province	11	137,625	1,574,789	128,368	1,840,782	3.6	1,840,782
Hubei Province	11	57,704	1,402,845	312,416	1,772,965	3.5	1,772,965
Shaanxi Province	8	—	1,403,932	—	1,403,932	2.8	1,403,932
Sichuan Province	10	464,350	633,911	—	1,098,261	2.2	1,098,261
Guangxi Zhuang Autonomous Region	8	7,274	961,745	—	969,019	1.9	969,019
Chongqing	6	—	783,707	162,977	946,684	1.9	946,684
Inner Mongolia Autonomous Region	5	—	732,044	93,657	825,701	1.6	825,701
Ningxia Hui Autonomous Region	2	—	385,594	—	385,594	0.8	385,594
Guizhou Province	3	—	302,824	—	302,824	0.6	302,824
Shanxi Province	2	—	272,468	—	272,468	0.5	272,468
Gansu Province	2	—	195,817	—	195,817	0.4	195,817
Subtotal	**111**	**1,256,125**	**14,014,816**	**2,252,122**	**17,523,063**	**34.6**	**17,523,063**
Pan-Bohai Economic Rim							
Shandong Province	25	199,924	2,550,222	274,037	3,024,183	6.0	3,024,183
Hebei Province	4	—	500,361	249,047	749,408	1.5	749,408
Liaoning Province	4	—	465,261	—	465,261	0.9	465,261
Tianjin	2	—	256,884	—	256,884	0.5	256,884
Subtotal	**35**	**199,924**	**3,772,728**	**523,084**	**4,495,736**	**8.9**	**4,495,736**
Western Taiwan Straits Economic Zone							
Jiangxi Province	31	951,420	1,607,487	—	2,558,907	5.1	2,558,907
Fujian Province	10	82,481	609,904	378,778	1,071,163	2.1	1,071,163
Subtotal	**41**	**1,033,901**	**2,217,391**	**378,778**	**3,630,070**	**7.2**	**3,630,070**
Pearl River Delta Economic Zone							
Guangdong Province	11	—	1,287,568	43,586	1,331,154	2.6	1,331,154
Subtotal	**11**	**—**	**1,287,568**	**43,586**	**1,331,154**	**2.6**	**1,331,154**
Total	**364**	**4,841,704**	**33,325,360**	**6,168,849**	**44,335,913**	**87.5**	**44,335,913**

The following table sets forth the breakdown of the total land bank attributable to us developed by our joint ventures and associates in terms of geographic location as of June 30, 2020:

	Number of projects	Completed GFA available for sale/leasable GFA(1) (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to us(2)(3) (sq.m.)	% of total land bank attributable to us (%)	Total land bank(3) (sq.m.)
Yangtze River Delta Economic Region							
Zhejiang Province	59	240,922	1,729,645	—	1,970,567	3.9	6,197,224
Jiangsu Province	22	9,247	1,017,011	13,773	1,040,031	2.1	2,579,553
Anhui Province	12	24,369	621,473	231,459	877,301	1.7	2,570,131
Subtotal	**93**	**274,538**	**3,368,129**	**245,232**	**3,887,899**	**7.7**	**11,346,908**
Midwest China Economic Region							
Chongqing	6	54,083	339,757	—	393,840	0.8	1,105,382
Henan Province	5	—	222,740	155,259	377,999	0.7	1,326,296
Hunan Province	3	64,485	156,019	—	220,504	0.4	515,425
Hubei Province	1	—	127,476	—	127,476	0.3	208,464
Sichuan Province	1	—	—	103,692	103,692	0.2	259,230
Yunnan Province	3	2,558	80,036	—	82,594	0.2	168,317
Guangxi Zhuang Autonomous Region	2	—	20,271	42,226	62,497	0.1	238,802
Subtotal	**21**	**121,126**	**946,299**	**301,177**	**1,368,602**	**2.7**	**3,821,916**
Pan-Bohai Economic Rim							
Tianjin	2	—	36,539	167,806	204,345	0.4	413,420
Shandong Province	6	6,126	133,310	23,298	162,734	0.3	629,731
Liaoning Province	1	—	16,773	—	16,773	*	32,888
Subtotal	**9**	**6,126**	**186,622**	**191,104**	**383,852**	**0.7**	**1,076,039**
Western Taiwan Straits Economic Zone							
Jiangxi Province	11	41,606	228,355	74,557	344,518	0.7	1,315,330
Fujian Province	5	—	308,239	—	308,239	0.6	1,074,490
Subtotal	**16**	**41,606**	**536,594**	**74,557**	**652,757**	**1.3**	**2,389,820**
Pearl River Delta Economic Zone							
Guangdong Province	1	—	48,600	—	48,600	0.1	162,000
Subtotal	**1**	**—**	**48,600**	**—**	**48,600**	**0.1**	**162,000**
Total	**140**	**443,396**	**5,086,244**	**812,070**	**6,341,710**	**12.5**	**18,796,683**
Total land bank	**504**	**5,285,100**	**38,411,604**	**6,980,919**	**50,677,623**	**100.0**	**63,132,596**

The following table sets forth a breakdown of the total land bank attributable to us developed by our subsidiaries, joint ventures and associate in terms of geographical location as of June 30, 2020:

	Number of projects	Completed GFA available for sale/leasable GFA(1) (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to us(2) (sq.m.)	% of total land bank attributable to us (%)	Total land bank(3) (sq.m.)
By City tiers							
Second-tier cities	166	1,250,595	10,289,081	2,396,241	13,935,917	27.5	19,539,496
Third-tier cities	261	3,317,572	20,615,698	3,833,165	27,766,435	54.8	33,232,341
Forth-tier cities	77	716,933	7,506,825	751,513	8,975,271	17.7	10,360,759
Total	504	5,285,100	38,411,604	6,980,919	50,677,623	100.0	63,132,596
By Region							
Yangtze River Delta	259	2,626,292	15,400,986	3,216,511	21,243,789	41.9	28,702,798
Midwest China	132	1,377,251	14,961,115	2,553,299	18,891,665	37.3	21,344,979
Pan-Bohai Rim	44	206,050	3,959,350	714,188	4,879,588	9.6	5,571,775
Western Taiwan Straits	57	1,075,507	2,753,985	453,335	4,282,827	8.5	6,019,890
Pearl River Delta	12	—	1,336,168	43,586	1,379,754	2.7	1,493,154
Total	504	5,285,100	38,411,604	6,980,919	50,677,623	100.0	63,132,596

Notes:

(1) Includes saleable GFA remaining unsold, leasable GFA and completed GFA that have been pre-sold but yet delivered.

(2) Total land bank attributable to the Group equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development, adjusted by the equity interest held by the Group in respect of the projects held by the Group's joint ventures and associates.

(3) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development without adjusting the equity interest held by the Group in respect of he projects held by the Group's joint ventures or associates.

OUR PROJECT OPERATION AND MANAGEMENT

Our Project Development Process

Our successful duplication of property development experience into new regions is attributable to our standardized operating procedures, which facilitate us to complete periodical preparation work beforehand at each stage and improve our operating efficiency. Our standardized operating procedures cover the entire real estate development cycle, including land acquisition, product design, construction, sales and marketing and delivery. Leveraging our historical project development experience and proven track record, we formulate and constantly modify our standardized operational manuals that consolidate our best practice and provide detailed guidance for our employees located in different cities with respect to all material aspects of their daily operation.

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

- Strategy criteria: we prudently pursue opportunities that are in line with our current and long-term development strategies, which requires us to evaluate the project location and contemplated project size, as well as macroeconomic factors such as the general economic conditions and local population for each potential opportunity;

- Market criteria: we collect local market intelligence to analyze the accessibility of a regional market, including its existing property inventory, average housing prices, historical inventory turnover rate of competitors; and

- Financial criteria: finally, we utilize our standardized modules to review detailed financial estimates of a potential project, including estimated selling prices, anticipated economic returns and profitability, time schedule for project development processes.

Other than the above, with respect to a land parcel or a property project to be acquired from other third parties, we may also involve our legal department to evaluate the associated legal risks. We will only proceed with the development of the project if each set of project screening and evaluation criteria is met.

The diagram below sets forth the major stages typically involved in our development of a property project:

Site Selection and Land Acquisition

- Market access studies with comprehensive informationto identify potentialqualifiedmarkets, including geography,city-size,economy, population, competition level, culture and cityplanning
- Preliminary field studies and analysis to evaluate local property market, including housing supply and demand conditions, generalpropertyprices,growth potential and local propertypolicies
- Further in-depth studiesand to screen land related information in accordance with our standardized investment modules and procedures

Product Design, Research and Development

- Develop standardized product lines suitable for various locations and target customer groups
- Establish standardized floor plans, interior and exterior designs for each product line
- Design standardized main themes, including architectural themes and landscape styles
- Focus on the improvement of community atmosphere

Procurement

- Standardized procedures for the selection, management and evaluation of contractors and suppliers form contracts with standardized terms and conditions
- Strategic general construction contractor and subcontractor network
- Strategic supplier network for raw materials with standardized specifications
- Standardized operating guidelines for cooperation with contractors and subcontractors

Project Construction and Quality Control

- Engage quality construction contractors
- Detailed requirements, including quality, time, cost and safety, for each milestone during the project construction process
- Periodical inspection and reporting procedures with standardized evaluation procedures

Project Promotion and Marketing

- Detailed sales schedules with long-term and short-term sales targets, including prices and transaction volumes
- Engage advertising firms to establish promotional plans for each project
- Set up on-site demonstration areas
- Deploy professional in-house sales and marketing teams or engage third-party agencies
- Standardized sales procedures to ensure smooth transaction and delivery

After-sales Service

- Specific convenience services upon request
- National customer service hot line

Site Selection

The majority of our property projects are located in third- and fourth-tier cities and areas adjacent to first- and second-tier cities in China. We are able to take advantage of the relatively lower land acquisition costs in such areas, less intensified competition, and the demands driven by the surrounding affluent areas. In recent years, we have selectively expanded our presence in second-tier cities and, subject to market conditions, intend to prudently tap into first-tier cities.

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

- general local economic conditions;
- population, income level and purchasing power of local target customers;
- competition level of local real estate market;
- infrastructure, urban planning and future development plans of local government;
- growth trend of local property market, including housing supply and demand conditions, growth potential and local property policies;
- location of the land parcel in the city;
- suitability of the land parcel for our established product positioning strategy; and
- estimated development costs and time and expected income returns.

Our market research and feasibility studies shall follow our standardized market analysis modules and investment procedures.

Land Acquisition

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing developments must be granted by the government through public tender, auction or listing-for-sale. We primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities. When deciding to whom the land use rights should be granted, the relevant authorities may consider not only the bidding price, but also the bidder's real estate development experience, development track record, credit history, qualifications and development proposal in connection with their local zoning, urbanization and development plans. In addition, we also acquire land through auctions and public tenders.

Moreover, we have employed land acquisition strategies to acquire target land parcels by cooperating with third-party business partners through joint ventures and associates in which we do not have controlling stake. With majority of initial capital contributed by the third-party business partners, we can invest in property projects with relatively lower capital outlay. We may also acquire land parcels from third parties by acquiring target project companies or target projects.

We decide on whether to develop by ourselves or to partner with third-party business partners through joint ventures or associates, by taking into account various factors, such as the estimated land acquisition costs, the development scale of the potential project, the specialty and resources possessed by the potential business partner, as well as the expected commercial terms available to us upon negotiation.

In conjunction with the acquisition of land use rights from the PRC government, real estate developers in the PRC are required to pay a land grant premium to the relevant government authority and apply for a land use right certificates (if applicable, a real estate rights certificate) conferring land use rights. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for commercial, tourism and recreation purposes and 50 years for industrial or other purposes.

Product Design and Development

Our headquarters have an in-house product design and development team. We strive to develop products that best suit the needs of our target customers. In addition, to avoid over competition, we dedicate to offering projects that differentiate from projects in close proximity.

We have established standardized designs, main themes and modules for our projects to ensure efficiency and cost control. Such standard designs could be further adjusted, taking into account local esthetic preferences, government policies, product positioning and market conditions.

When developing a project, we first determine which product line the planned project belongs to, based on the features of the land parcel and our preliminary market research. Our product research and development department formulates a master planning and design specifications for the project under development by following the applicable standardized design module. The master planning and design specifications shall meet our product design philosophy and standards and conform to our cost control and operational requirements. In addition, based on our product database, the project research and development department further collaborates with our regional companies, other relevant departments at our headquarters, and third-party architectural and design firms during the planning and design process to prepare more detailed architectural plans and design drawings.

We typically use a tender process on a project-by-project basis in selecting third-party architecture and design firms and request such potential firms to provide a proposal with a service fee quote. When selecting an architecture and design firm, we consider their proposed design concepts, former experience with major real estate developers, innovation capability, reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. We currently maintain strategic relationships with several leading third-party architecture and design firms that are familiar with our product requirements and have illustrated strong design capabilities, and expect to deepen our cooperation with such firms in the future. As such, we believe these firms will be able to assist us to reduce the overall timeframe required for product design and development. We currently maintain an average over four years of business relationship with our strategic third-party architecture and design firms. Such design firms have been involved in the development of our standardized products and have established frequent communication with our Group. Their deep understanding of our project planning, property design requirements, cost controls and overall development strategies allows a smooth cooperation which significantly improve the quality and efficiency of the product design process.

Procurement and Contractors

Third-Party General Contractors and Subcontractors

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

We identify and establish strategic relationships with certain quality general contractors who can meet our quality and time requirements and are familiar with our business model and corporate culture, so that we are able to better control development costs, improve operating efficiency and enhance standardized product implementation. The strategic general contractors we worked with have an established relationship with us for approximately two years. We typically re-evaluate the contracts with such strategic contractors based on their performance and assess whether to renew the contracts every six months.

We initially select our general construction contractors and subcontractors through a tender process in accordance with the relevant PRC laws and regulations. The tender process is managed by the cost management department at our headquarters, regional management and project company levels. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, construction team in charge of the potential project, track record and price.

General contractors and subcontractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the general contractors and subcontractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules. Payments to such contractors are made in stages upon the completion of each construction milestones pursuant to the relevant contracts. In general, we pay the contractor 70% to 75% of the full contract price during the construction process by installments and usually pay up to approximately 90% to 95% of the total contract price upon the completion of the project, while holding back the remaining approximately 5% to 10% as retention fee for quality warranties purpose. The contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. We may also agree to settle the retention fee by installments over the warranty period. However, we will also be able to reclaim the differences from the contractors to cover any losses that we may incur that is greater than the retained retention fee, even after certain retention fee has been remitted. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the agreements, we are entitled to a pre-determined amount as a penalty payment and, in some cases, we will have the right to terminate the agreements. We believe that the amount of retention fee we withhold 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

Certain building construction materials, such as steel and concrete, and equipment are procured by the third-party construction contractors we engage, although we typically designate the brands and quality requirements of these construction materials as part of our construction agreements, and identifies the suppliers in which such materials and equipment should be purchased.

For certain other specialized building materials and equipment, such as air conditioning systems, elevators and wall bricks, we are generally responsible for purchasing directly from suppliers through tender processes on an as-needed-basis. We adopt centralized procurement policy for such specialized building materials and equipment in order to take advance of the competitive costs due to large scales procurement.

Our construction management teams oversee the quality of each project development, conduct on-site inspection and pre-examine the construction materials before they are used in the projects. Our construction materials are primarily purchased from suppliers in the PRC.

Project Construction

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the land use rights to the relevant land parcel and the necessary permits and certificates, which include the construction land planning permits, the construction work planning permits and the construction work commencement permits (which will only be issued after the land use right certificates, the construction land planning permits and the construction work planning permits are obtained).

Moreover, we are also required to commence construction of our projects within the time prescribed by the relevant PRC laws and regulations. Otherwise our lands may be regarded as "idle land" and as a result we may be subject to certain penalties and the idle land might be resumed without any compensation. Under the Measures on Disposing of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, "idle land" is defined as the granted state-owned construction land that (i) failed to commence construction within one year from the construction date undertaken in its land grant contract; or (ii) its construction has been suspended for over one year and the area under construction is less than one third of the total area ought to be under construction or the invested capital is less than 25% of the total amount of capital ought to be invested.

Project Monitoring and Control

Quality Control

High quality properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality residential products. We periodically organize internal conferences increasing the awareness of safety and quality among all of our employees.

We implement systematic quality control through various aspects of our operations. Quality control starts with the selection of qualified construction contractors. See "— Our Project Operation and Management — Procurement and Contractors — Third-Party General Contractors and Subcontractors." We inspect and review the qualification and performances of these contractors regularly to ensure they are performing up to our standards. We also perform extensive due diligence in the selection of other service providers as well, including external architecture and design firms, and raw material suppliers, based on factors such as their quality, reputation and track record. The selected general contractor and the relevant raw material suppliers shall provide raw material samples for our inspection and obtain approval before they can be used for our projects.

Based on the quality and technical standards stipulated by the national authorities, we have established a comprehensive set of stringent standardized technical and quality control and inspection guidelines that provide our employees located in various cities with the standardized and detailed requirements as to quality control standards and specifications for all major aspects of our construction processes. Our quality inspection guidelines call for regular inspection of all our construction sites to ensure quality and safety at the project company level. We utilize our IT systems to streamline such quality control standards and specifications and ensure such standards and specifications of each of our projects are fully satisfied. We have also developed the standardized construction review and assessment system which allows us to constantly understand and manage the quality and safety status of the construction work of our projects.

As of June 30, 2020, we had 1,559 employees dedicated to construction management and quality control. Our construction management and quality control teams at our project company, regional management and headquarters level are comprised of qualified engineers and construction technicians.

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

In 2017, 2018 and 2019 and the first half of 2020, we had not encountered any material quality problems nor received any material complaints about the quality of our projects. On August 1, 2017, there was a work safety accident in the construction site of our project Xuzhou Zhongliang Shanti Mansion which caused the death of five construction workers and injury to another one, which was determined as a major work safety incident by the investigation team of the relevant local government authorities. One of our project companies, Xuzhou Xuxin, was found, jointly with the relevant general contactor, Changye Construction, and the project supervisory company as well as the relevant local government authorities, liable for such accident. As of the date of this offering memorandum we have fully paid the administrative penalties imposed by the relevant government authority. Furthermore, we have adopted necessary remedial measures, such as appointing new chairman of Xuzhou Xuxin and replacing Changye Construction with two new general contractors. In addition, we had entered into settlement agreements with the family representatives of those five deceased construction workers and agreed to make one-off compensatory payments in the aggregate amount of RMB6.2 million, which was fully settled. We believe we are entitled to and are in the process of seeking indemnification from Changye Construction for the amount of compensatory payments that they are responsible for. As part of the settlement agreements, the family representatives of the five deceased workers have agreed not to file any additional claims against us. We have paid to the injured worker, who is still under medical treatment, the medical compensatory payment on behalf of Changye Construction. Neither Changye Construction nor us has entered into a settlement agreement with him as of the date of this offering memorandum. Other than the slight delay in the online pre-sale filing process for the 965 units of this project under initial pre-sales, we experienced no obstacle in obtaining additional pre-sales permits and proceeding with the online pre-sales filing procedures for the remaining residential units of this project after the accident. Construction of the remaining portion of this project that was not affected by the accident was resumed in September 2017. With regard to the land parcel that was affected by the accident, construction was resumed in December 2017. We believe there is no material adverse impact on the sales of this project due to the accident. See the section entitled "Risk Factors — Risks Relating to Our Business — We rely on third parties in certain key aspects of our business and if any of such third parties fails to perform their contractual liabilities or to comply with the relevant laws and regulations, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected." In 2017, 2018 and 2019 and the first half of 2020, except for the safety matters in connection Xuzhou Xuxin disclosed above, there were (i) no non-compliance incidents relating to safety or accidents during the construction of our property projects that resulted in material injuries or fatalities of the construction workers, (ii) no material violation of currently applicable PRC labor and safety regulations, and (iii) no material employee safety issues involving our Group.

Progress Control

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

Cost Control

We have established a comprehensive cost management system to set the relevant budget for our projects, including how to assess the different cost components. For each project, the relevant regional company, as approved by its general manager, shall prepare a master budget, which will be submitted to the cost management department and finance management center at the headquarters level and then ultimately approved by the president of our Group. If any amendment to the original budget plan is needed, such amendment shall be reviewed and approved by our senior management.

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

Promotion and Marketing

Sales, Promotion and Marketing Efforts

We have adopted a precision marketing strategy by carefully designing marketing campaigns for each property project after market studies on the targeted customers as well as the local regions. We take advantage of word-of-mouth marketing and usually organize high-key promotional events, such as inviting public figures, to promote awareness of and interests in our projects among local residents. We have accumulated significant experience and formulated standardized operating modules for sales and marketing process. Our standardized operational modules for sales and marketing provide an efficient and consistent guidance on product position, promotional events, demonstration areas, pricing practice, controls on marketing expenses, monitor of third-party sales agents and other aspects. With respect to each property project, we design and launch various marketing activities that best interact with then property development operations at different stage. For instance, we typically hold media conferences shortly prior to the launch of temporary demonstration areas, and organize product explanation and presentation meetings upon open of the demonstration units.

Our in-house sales and marketing teams were established at both headquarters and the regional management levels. The marketing and customer service center at our headquarters is in charge of formulating the standardized marketing procedures and setting marketing goals, controlling project marketing control and budget and evaluating the performance of the local sales and marketing team. The sales and marketing teams designated by our regional management teams are responsible for the formulation and execution of detailed project marketing strategies and plans. To ensure better management and quality control, the regional management teams, instead of the project companies, manage the sales and marketing of individual property projects. We will establish a comprehensive progress list for each property project, systematically presenting all sales targets with major time schedules.

We primarily rely on the efforts of our own marketing and customer service center for the sale of most of our properties. We believe by establishing and strengthening our own sales and marketing team, and leveraging the supports of our other departments, 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 our Group as compared to external real estate sales agencies. Our sales and marketing personnel are incentivized by performance-based compensation packages. We believe we provide relatively 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. Our marketing and customer service 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. We implement traditional marketing efforts, including outdoor billboards, advertisements on television and internet. We also take advantage of various new marketing channels to expand our reach to potential customers. In 2017, 2018 and 2019 and the first half of 2020, our selling and distribution expenses were approximately RMB823.7 million, RMB1,333.9 million, RMB2,030.1 million (US$287.3 million) and RMB945.1 million (US$133.8 million), respectively.

In new regional markets where we have limited resources, we may engage third-party real estate sales agents to facilitate the marketing and sales of our projects, 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.

Pricing

Prior to the launch of pre-sale for each project, our marketing and customer services center at our headquarters, in consultation with our other departments, will review the overall marketing budget and target selling prices based on the feasibility study conducted for the project. Marketing budget plans and target prices are then reviewed and modified at the end of each year by our marketing and customer services center, based on the then market conditions and actual pre-sale activities of each project. The relevant regional company shall follow the price guidance provided by our headquarters and establish the detailed sales schedule and the target selling prices.

We price our properties primarily based on the estimated total costs and target profit, while also taking into account the prices of comparable projects in neighboring communities and recent prevailing market price trends. Our sales and marketing team at the project company level will closely monitor and analyze the pricing strategies and promotion campaigns of other competing properties and propose adjustment to our marketing and pricing strategies as appropriate.

Due to the highly competitive and evolving nature of real estate industry in China, we are required to constantly monitor the changing market conditions and adjust the selling prices of our projects as appropriate. We may adjust the prices during the sales process based on market responses we experience, especially when we experience favorable response. We occasionally make temporary downward adjustments to the prices to accelerate the turnover rate.

Pre-Sale

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

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

In 2017, 2018 and 2019 and the first half of 2020, we did not experience any significant delays in obtaining the pre-sales permits. In addition, real estate 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 no shorter than that for the quality warranties we receive from our construction contractors under the relevant construction contracts.

Canceled contracted sales are sales transactions canceled after the down-payment and signing of pre-sale contracts. Canceled contracted sales in 2017, 2018 and 2019 and the first half of 2020 were primarily due to personal reasons of the purchasers under exceptional circumstances and did not have a material adverse effect on our financial condition.

Moreover, pursuant to the relevant laws and regulations, pre-sale proceeds from the sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds to be used for the construction of the relevant properties. Please refer to "Regulation — Real Estate Transactions — Pre-sale of commodity properties" for more details. In 2017, 2018 and 2019 and the first half of 2020, we had not been subject to any administrative penalties for non-compliance incident in connection with the management and usage of pre-sale proceeds.

Branding

We pay substantial attention to build our reputation and brand recognition in the real estate industry in China. We established a dedicated branding and culture department at our headquarters level in 2016 to design and execute brand promotion campaigns.

We participate in various industry conferences to enhance our presence and influence among real estate industry in China. We also leverage social media to promote our brand image.

We also actively participate in charity activities and constantly make charity donations, such as for the earthquake relief efforts in Jiuzhaigou, Sichuan Province in August 2017. We also initiated book charity activities from 2017 to students in Zhejiang, Qinghai, Hubei, Fujian, Yunnan, Hebei, Sichuan and Jiangsu provinces, Tibet autonomous region, Xinjiang Uygur autonomous region and Shanghai. Such charity activities substantiate our corporate culture and also reinforce our brand recognition as a socially responsible enterprise.

Payment Arrangements

Our customers can make the payment in one lump sum by cash, or by installment payments with mortgage financing. After we obtain the pre-sale permits, we commence the pre-sales and typically ask our customers to enter into the pre-sale or sale contracts. The deposit will be forfeited if the customer decides not to sign the formal pre-sale or sale contract. The deposit will be deducted from the purchase price if the customer later opts to settle the payment in full. If a purchaser chooses to make a lump-sum payment, the balance of the purchase price is to be paid no later than the date specified in the sale and purchase agreement. We usually require customers to pay 30% of the total purchase price within seven days from the contract date and to settle the remaining 70% within two months after entering into the sales or pre-sale contracts.

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of approximately 30% of the purchase price within seven days from the contract date in accordance with the terms stipulated in the contract, depending on whether it is their first mortgage for residential properties. The mortgage bank will normally pay the remainder of the purchase price within two months, depending on the approval process of relevant mortgage banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. If the remainder of the purchase price is not covered by the mortgage banks, these customers must pay to us the outstanding balance of the purchase price.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser and the certificate is registered in favor of the bank. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on the credit checks conducted by relevant banks.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB20,816.3 million, RMB28,897.3 million, RMB51,717.8 million (US$7,320.2 million) and RMB56,210.6 million (US$7,956.1 million), respectively. In case our customers default under the formal sale and purchase agreement entered into at pre-sale for properties pre-sold which were financed by bank mortgages, we, as the guarantor for the purchasers' mortgaged loan, are required to repay all amounts due under the mortgages owed by the purchaser to the mortgage bank. Generally, upon the defaults of the purchaser, the mortgagee bank would initiate legal proceedings against the purchaser for the mortgage loan and apply the proceeds from sale of the mortgaged property by auction in the payment of amounts due under the mortgage. Accordingly, if the proceeds of the sale of the mortgaged property by auction are not enough to cover the amounts due under the mortgage, we, as the guarantor for the purchasers, would need to pay any short-fall to the mortgage bank.

In the case of a customer default, we are entitled to forfeit the deposits paid by the purchaser and foreclose on the relevant property. Moreover, if a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require us to repay the entire outstanding balance of the mortgage pursuant to the guarantee and we also have the right to terminate the sale and purchase agreement with the defaulting customer. Upon fulfillment of our obligations under the guarantee, the mortgagee bank would then assign its rights under the mortgage to us and we would then have full recourse to the property. We believe that our guarantees on the mortgage loans of our purchasers are over-secured as we believe the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees.

In 2017, 2018 and 2019 and the first half of 2020, we had encountered several incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts owed by the purchaser to the mortgagee banks under the loan. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

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. See "Regulatory — Real Estate Transactions — Sale of commodity properties" for further details. It typically takes approximately one to two years from the commencement of pre-sale to the date of the completion certificate, depending on the scale of the properties. In 2017, 2018 and 2019 and the first half of 2020, we had not experienced 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 construction management department and customer relationship department 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.

We do not conduct independent credit checks and due diligences as to our purchasers when providing guarantees but instead rely on the credit checks conducted by the mortgagee banks, and will typically require a higher initial payments to purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide guarantees for their mortgage loans. In 2017, 2018 and 2019 and the first half of 2020, we only encountered a limited number of incidents of default by purchasers under the formal sale and purchase agreement entered into at the pre-sale stage. In accordance with the sale and purchase agreements, we have taken measures including negotiation and litigation to recover damages due to the buyer's breach of the formal sale and purchase agreements. Upon executing the formal sale and purchase agreements, customers are required to pay in full the total purchase price.

According to our accounting policies, our revenue is recognized at a point in time or over time, depending on the terms of the pre-sale/sales contracts and the applicable laws and regulations. The recognition of our revenue from sales of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

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

After-sales Services

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》) and Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》). 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:

- warranty as to the foundation and main structure of the properties for the period designed for reasonable use of the relevant properties;
- five-year warranty for defects relating to the waterproofing of property surfaces;
- five-year warranty for defects relating to the waterproofing of bathrooms, rooms and walls;
- two-year warranty with respect to the heater and air conditioner systems;
- two-year warranty with respect to the electricity, sewage pipes and equipment installment; and
- two-year warranty with respect to the refined decoration work.

All warranty periods commence on the day of actual delivery of the relevant properties, or the day the properties are deemed as delivered in accordance with relevant contracts. We do not provide warranties with respect to defects that are caused by third parties or improper use and defects resulting from natural disasters. We usually provide quality warranties for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work. We do not maintain provisions with respect to warranties.

We may receive customer claims in relation to the quality of real estate properties that we developed from time to time. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims. Relevant third-party contractors 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 and 2019 and the first half of 2020, we had not been involved in any material claims or received any material complaints with respect to the quality of our building structures or other fittings which cannot be rectified by the relevant contractors in accordance with their warranty provisions of the relevant contracts.

After-Sales Services

We rely on our marketing and customer service center to provide after-sale services. Our customer service team is responsible for collecting and analyzing customer evaluations and feedback through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedbacks to the construction management team to further improve our operation, including project design and marketing strategies. In addition, we established our national customer service hot line in late 2017 in order to provide a more convenient and efficient way to respond and serve our customers. Our customers select property management companies to provide property management services. We from time to time receive repair and maintenance requests and advisory enquiries, including a limited number of customer complaints about the quality of our properties, primarily due to minor construction and installation defects.

In addition, we are also subject to a limited number of customer complaints in relation to the delay in delivery of property title documents subject to the purchase agreements entered into with our customers and mortgage agreements entered into with our customers, the commercial banks and us, due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, such as the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property right authorities. We have increased our communication with the relevant government authorities to actively follow up on the status of certificate applications, aiming to speed up the registration and approval process. Except as otherwise disclosed in the offering memorandum, we believe that we are able to timely apply for and deliver the property title documents to our customers pursuant to relevant purchase agreements and mortgage agreements, which in turn efficiently reduces the number of customer complaints relating to the delay in delivery of property title documents.

Project Financing

The real estate development industry is capital intensive and financing is an important source of funding for property development. In 2017, 2018 and 2019 and the first half of 2020, we employed diversified financing channels to finance our operations primarily through internally generated cash flows including proceeds from the pre-sale/sale of our properties, as well as external financings, such as borrowings from commercial banks, trust loans, asset management arrangements, other borrowings from third parties (other than banks and financial institutions), and capital contribution from non-controlling shareholders.

MANAGEMENT OF COMMERCIAL PROPERTIES

Our Commercial Properties

We have commenced the development of commercial properties. Currently, our commercial properties primarily consist of retail spaces adjacent to our residential properties and shopping malls.

We hold and operate a portion of our commercial properties for long-term investment purpose, which enables us to diversify our investment portfolio, generate a stable revenue stream and leverage the potential asset value appreciation. We determine whether our properties will be sold or retained for investment purpose at the early stages of development. Our preferred property types include shopping malls, long-term rental apartments and hotels, which are typically associated with long-term stable revenue. We will also consider various other factors, such as primary location in a city, land use plans, regional market conditions, supporting commercial facilities and our commercial interests. Although we currently focus on the development of residential properties for sale, we will in the future increase our investment property portfolio in response to changing market conditions and customer demand.

As part of our standardized real estate development process, we are also in the process of developing and optimizing our standardized modules and procedures for the investment decision, product design, construction and operation standards for commercial properties.

As of June 30, 2020 we had 13 projects with investment properties with an aggregate GFA of approximately 295,019 sq.m., including 9 with completed investment properties and remaining 3 with investment properties under development. The following table sets forth our investment properties as of June 30, 2020.

City	Project Name	Status	Actual/Planned Total GFA Held for Investment (in sq.m.)
Wenzhou	Wenzhou Longwan Dragon Grand Court (溫州龍灣首府)	Completed	32,309
Wenzhou	Pingyang Zhongliang Glory Mansion (平陽中梁國賓天下)	Completed	12,044
Ganzhou	Ganzhou Zhongliang Jiangdu Mansion (贛州中梁江督府)	Completed	1,739
Ganzhou	Ruijin Zhongliang Fortune Garden (瑞金中梁瑞園)	Completed	7,495
Changsha	Ningxiang Zhongliang Capital Park (寧鄉中梁首府)	Completed	9,064
Dazhou	Dazhou Zhongliang Capital Park (達洲中梁首府)	Completed	14,139
Yancheng	Dongtai Zhongliang Royal Park (東台中梁國賓府)	Completed	2,990
Lishui	Qingtian Zhongliang Joy Plaza (青田中梁百悦城)	Completed	8,620
Jinhua	Lanxi Zhongliang Joy International Park (蘭溪中梁百悦國際)	Completed	1,055
Changzhou	Changzhou Zhongliang Joy Plaza (常州中梁百悦城)	Under development	33,321
Fuzhou	Fuzhou Zhongliang Joy Plaza (福州中梁百悦城)	Under development	11,351
Wuxi	Wuxi Zhongliang Joy International Plaza (無錫百悦國際)	Under development	12,000
Xuzhou	Xuzhou Zhongliang Royal Park (徐州中梁百悦城)	Under development	148,891
Total			**295,019**

Lease Agreements

We have commenced the development of our investment properties and entered into lease agreements with potential tenants. As of June 30, 2020, construction of nine of our investment properties have been completed and two of them have officially commenced operation. We have entered into long-term lease agreements with two supermarkets and a cinema operator. Our leases are at a fixed rate subject to periodic adjustments with performance premium component. Leases are generally calculated as the higher of (i) fixed rates during a pre-determined period and then escalates based on an agreed upon rate through the remainder of the lease term, generally through an annual percentage increase; or (ii) performance premiums calculated based on a pre-determined percentage of the retail gross revenue of the tenants. We started to generate revenue from such leases from the second half of 2018 and recorded revenues generated from property lease of approximately RMB4.4 million, RMB11.9 million (US$1.7 million) and RMB5.7 million (US$0.8 million) in 2018 and 2019 and the first half of 2020, respectively.

MANAGEMENT CONSULTING

Leveraging our established experience and expertise in developing property projects, since October 2016, we commenced to provide management consulting services to certain of our related parties and a limited number of third-party real estate developers. Our consulting services primarily are in connection with construction, sales and marketing, and overall management during the development of their property projects. Such real estate developers are primarily small-scale start-up entities lack of sufficient real estate development experience, and generally are not able to complete with us. On the contrary, through providing management consulting services, we intend to identify potential business partners and establish strategic cooperation relationship with them to acquire land parcels and/or jointly development property projects in the future.

We do not expect this business line to grow significantly in the near future. In addition, we have been focusing on, and expect to continue to focus on providing such services mainly to our related parties, including our joint ventures and associates.

PROPERTY MANAGEMENT

Historically, we were involved in certain ancillary businesses including in property management services mainly to demonstration areas and decorated model homes of projects developed by us and our related parties. We excluded such ancillary businesses from our Group upon our Reorganization since April 2018.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers and construction contractors. In 2017, 2018 and 2019 and the first half of 2020, we engaged a large number of major suppliers to operate our businesses. Some of our general contractors and subcontractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted the relevant group companies as our major suppliers.

We believe construction industry in China is generally competitive and fragmented and construction contractors are readily available. In 2017, 2018 and 2019 and the first half of 2020, we engaged a large number of general contractors and subcontractors and we believe we are able to secure sufficient supplies in a timely manner at comparable cost if one or several of current suppliers fail to provide us with satisfactory contractor service and raw materials in either quantity or quality.

Our customers are mainly individual and corporate purchasers of our residential or commercial properties. Due to the nature of our business, revenue contributed by our five largest customers accounted for less than 4.0% of our total revenue in each of the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, respectively.

None of our directors, their associates or any shareholders that, to the knowledge of our directors, owns more than 5% of our share capital as of the date of this offering memorandum, has any interest in any of our five largest suppliers or five largest customers in 2017, 2018 and 2019.

COMPETITION

The property market in China is highly fragmented and competitive. We face increasing competition from domestic national comprehensive developers, regional developers as well as other developers with strategies similar to ours, who have business operations in cities where we operate or intend to expand into. We compete with them in many aspects, including land acquisition, brand recognition, financial resources, prices, product quality, service quality and other factors. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and stronger brand recognition. In particular, due to our current geographic presence, we compete with national leading real estate developers that also establish presence in regions where we operate.

We believe that the major competitive factors in the residential property development industry include the geographic location, management expertise, financing, access to transportation infrastructure, size of land bank, product quality, brand recognition by customers, customer services and support and pricing and design quality. There is no assurance that we will be able to continue to compete effectively in our industry. See "Risk Factors — Risks Relating to Our Industry — The PRC property market industry is highly competitive" and "Risk Factors — Risks Relating to Our Business — We may not be successful in managing our growth and expansion into new cities and regions or new businesses."

INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have extensive trademark registrations to protect all respects of our brand. We conduct our business in the PRC under our "Zhongliang" brand name and have had a number of registered trademarks in the PRC and a few registered trademarks in Hong Kong. We are in the process of registrating our trademark in Hong Kong. In addition, we have registered the domain name of www.zldcgroup.com for the website of our Group on the Internet.

INSURANCE

There are no national mandatory provisions under the relevant PRC laws and regulations requiring real estate developers to maintain insurance coverage with respect to their property development operations. We do not maintain any insurance policies for our property development projects. We require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements.

OWNED PROPERTIES FOR SELF-USE

As of the date of this offering memorandum, we did not own properties for self-use.

LEASED PROPERTIES FOR SELF-USE

As of June 30, 2020, we leased 54 properties in 36 cities in mainland China and Hong Kong mainly for our office premises and our product research and development base. Our leases generally have a term ranging from six months to six years, and we expect to renew the leases upon their expiry. All of the landlords are independent third parties from us. As of June 30, 2020, we failed to register certain lease agreements mainly for our office premises. See "Risk Factors — Risks Relating to Our Business — We may be subject to fines due to the lack of registration of our leases."

INFORMATION TECHNOLOGY

We rely on the effective operation of our IT systems for our business operations. We have a dedicated intelligent information management team which is responsible for developing and maintaining our IT systems in order to keep pace with the expansion of our business. The centralized IT systems is controlled and operated from our headquarters.

Our IT systems facilitate efficient online management. We have implemented ERP system and OA system to facilitate, which are embedded multiple specialized modules that cover all major aspects of our operations, from product design, procurement, property development, human resources, financial and accounting to customer services. Our standardized operating metrics, such as site selection and land acquisition criteria, are built in the centralized IT systems, which is linked to our office automation online approval function, ensuring that only procedures following our standardized modules can be approved and proceeded. Our streamlined and centralized IT systems reduce processing time and labor costs and increase efficiencies and productivity and broaden inter-departmental coordination.

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

We are currently in the process of upgrading our IT systems by further streamlining more functions to support our new business lines.

EMPLOYEES

As of June 30, 2020, we had 12,597 full-time employees, respectively, substantially all of whom were based in China. The following table sets forth a breakdown of our full-time employees by function as of June 30, 2020:

Function	Number of Employees
Management	126
Construction management/quality control	1,559
Finance	1,345
Product design and development	809
Sales, marketing and customer services	4,237
General administrative and human resources	968
Operational management	1,842
Commercial properties and property management	836
Others	893
Total	**12,597**

We actively recruit skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. We particularly value employees who demonstrate loyalty to their work and who values our corporate culture, as well as those with relevant working experience. We have also established systematic training programs for our employees, such as management as well as marketing and sales personnel, based on their positions and expertise. We established our "Zhongliang Academy" in 2017, which aims to offer systematic training programs tailor-made for various positions, including training designed for newly recruited employees and training of specialized managerial skills for middle- to high-level management team members. We expect to leverage our "Zhongliang Academy" to deepen our employees' awareness of our management philosophies, especially, the Amoeba Ecosystem, and to reinforce our corporate values among the employees so as to foster greater loyalty, job satisfaction, engagement and commitment to their work. Among the total of 12,597 employees as of June 30, 2020, approximately 60.5% have obtained a bachelor's degree or above.

We offer our employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. In addition, subject to our Amoeba Ecosystem, employees who participate in our Co-investment Schemes under our Amoeba Ecosystem may also be entitled to receive the benefit distribution derived from the relevant projects pursuant to the Co-investment Scheme and may also be rewarded additional bonuses when the project of the Amoeba unit he or she belongs to has achieved certain performance targets.

We also contribute to social insurance for our employees, including basic medical insurance, work-related injury insurance, basic retirement insurance, maternity insurance, unemployment insurance and housing funds. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. There were no material labor disputes or labor-related legal proceedings against us in 2017, 2018 and 2019 and the first half of 2020. In 2017, 2018 and 2019 and the first half of 2020, we complied with the applicable PRC labor regulations in all material respects and did not encounter any incident or complaint which had a material adverse effect on our operations.

ENVIRONMENTAL MATTERS

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

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) going through procedures with the environmental authority as required by the laws and regulations, including applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects.

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

LEGAL PROCEEDINGS

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, including claims primarily relating to disputes arising from agreements with third party contractors and suppliers, property purchase agreements with our customers and our guarantee of mortgage agreements entered into between our customers and mortgage banks, or other third parties. As of the date of this offering memorandum, there were no legal proceedings or claims currently existing, pending or threatened against any member of our Group that we consider will have a material impact on us.

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

ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

General provisions

In accordance with the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the "Urban Real Estate Law") (promulgated on July 5, 1994, revised on August 30, 2007 and amended on August 27, 2009 and 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. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) (the "Development Regulations") (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011 and further amended on March 19, 2018, March 24, 2019 and March 27, 2020), the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) the registered capital shall be RMB1 million or above；(ii) the enterprise shall employ no less than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and no less than 2 full-time accountants with certificates of qualifications. People's governments of provinces, autonomous regions and centrally-administered municipalities may, based on the actual conditions of the locality, set out more stringent requirements in respect of registered capital and technical professionals.

Foreign investment in real estate development

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which came into effect on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, and become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the "foreign investors") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

Under the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "Catalog") promulgated by MOFCOM and NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited; and other real estate development falls within the category of industries in which foreign investment is permitted. Pursuant to the amended Catalog which was amended on June 28, 2017, June 28, 2018, June 30, 2019 and June 23, 2020 by MOFCOM and NDRC, the real estate development does not fall within the Special Administrative Measure for Access of Foreign Investments (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) and the restrictive measures for construction of golf courses and villas are equally applicable to domestic and foreign investment.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the State Administration of Market Regulation and the SAFE jointly issued the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》), amended on August 19, 2015, which provides that: (i) foreign organizations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase non-owner-occupied real estate in China; while branches of foreign organizations established in China are eligible to purchase commercial houses which match their actual needs for self-use under their names; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only. After they have paid back all the land premium the enterprises shall apply to the land administration department for the state-owned land use right 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 Contract on the Transfer of State-owned Land Use Right (國有土地使用權出讓合同), the License for the Planning of Construction Land (建設用地規劃許可證), the License for the Planning of Construction Projects (建設工程規劃許可證) etc., and shall submit the Certificate for the Use of State-owned Land (國有土地使用證), the documents certifying that the change of registration has been filed with the relevant department in charge of construction (real estate) for record, and the certification materials issued by the relevant taxation authority on the tax payment in relevance; foreign investors shall pay off all considerations for the transfer in a lump sum with their own funds if they acquire Chinese real estate enterprises or any equity interest held by Chinese parties in Sino-foreign Equity Joint Venture engaged in real estate industry.

On August 19, 2015, MOFCOM, NDRC, PBOC, State Administration of Market Regulation and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》), which amended certain policies on foreign-invested real estate enterprises and property purchased by overseas organizations and individuals as stated in the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) as follows, the requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the 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 became effective on February 17, 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 is canceled.

QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of receipt of the business license, file the relevant documents for record to the real estate development authorities located at its place of registration. The real estate development authorities shall, on the basis of the assets, specialized technical personnel and business achievements, verify the class of qualification of the real estate development enterprise in question. The real estate development enterprise shall undertake real estate development projects in compliance with the verified class of qualification. Relevant detailed rules shall be formulated by the department of the construction administrative of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) (the "Circular 77") which was promulgated on March 29, 2000 and amended on May 4, 2015 and December 22, 2018, an enterprises engaged in real estate development shall apply for the approval in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain certificates of real estate investments shall not engage in the real estate development business. Enterprises engaged in real estate development are classified into four qualification classes: Class I, Class II, Class III and Class IV on the basis of their financial conditions, experience of real estate development business, construction quality, the professional personnel and quality control system etc.

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

LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

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

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

Land grants

National legislation

In April 1988, the National People's Congress (the "NPC") passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. 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》) 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, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value.

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

Ways of land grant

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

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

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

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

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於發佈實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》) promulgated by the Ministry of Land and Resources and NDRC in May 2012, the granted area of the residential housing projects shall not exceed (i) 7 hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and plot ratio which shall not be lower than 1.0.

Land transfer from current land users

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

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

DEVELOPMENT OF REAL ESTATE PROJECTS

Commencement of real estate development projects

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the land use and within the construction period as prescribed in the grant contract. When the land user fails to commence development after one year since the date of 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 land user fails to commence development after two years, 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 delay in the necessary preliminary work for starting the development.

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

- development and construction of the state-owned idle land is not commenced after one year of the prescribed time prescribed in the land use right grant contract or allocation decision; or

- the development and construction of the state-owned idle land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

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

Planning of real estate projects

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

Construction Work Commencement License

The real estate developer shall apply for a Construction Work Commencement License (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 amended on July 4, 2001 and June 25, 2014 and newly amended on September 28, 2018 by MOHURD.

Acceptance and examination upon completion of real estate projects

Pursuant 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》) promulgated by the State Council on July 20, 1998 and amended on January 8, 2011 and further amended on March 19, 2018, March 24, 2019 and March 27, 2020, the Administrative Measures for the Registration Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of real estate development project, the real estate development enterprise shall submit an application to the competent department of real estate development of local government at or above the county level, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A real estate project shall not be delivered before passing the acceptance examination.

INSURANCE OF REAL ESTATE PROJECTS

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

REAL ESTATE TRANSACTIONS

Sale of commodity properties

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

Pre-sale of commodity properties

Any pre-sales of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sales of Commercial Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004 (the ''Pre-sales Measures''). The Pre-sales Measures provides that any pre-sales of commercial properties is subject to specified procedures. If a real estate developer intends to sell commercial properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales license.

Pursuant to the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated on July 5, 1994 and recently amended on August 26, 2019 and the Pre-sales Measures, the proceeds from the pre-sales of commercial properties shall be used for the development and construction of the corresponding projects.

Furthermore, under the Circular on Issues Concerning Further Strengthening the Supervision and Administration of the Real Estate Market and Improving the Pre-sale System of Commodity Properties (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》) issued by the Ministry of Housing and Urban-Rural Development on April 13, 2010, all proceeds from the pre-sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds to be used for the development and construction of the corresponding projects. The proceeds from the pre-sales would be allocated according to the construction progress, provided that adequate fund has been reserved to ensure the completion and delivery of the projects.

Sales after completion of commodity properties

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following conditions have been satisfied: (1) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of real estate development; (2) the enterprise has obtained land use right certificates or other approval documents of land use; (3) the enterprise has obtained the construction project planning license and the construction work commencement license; (4) the commercial properties have been completed and been inspected and accepted as qualified; (5) the relocation of the original residents has been well settled; (6) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (7) the property management proposal has been completed.

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

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

Mortgage of properties

The mortgage of real estate in the PRC is mainly governed by the Property Rights Law of the People's Republic of China (《中華人民共和國物權法》), the Guarantee Law of the PRC (《中華人民共和國擔保法》), and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other real fixtures may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the use right of the land on which the building is located. The mortgagor and the mortgagee shall enter into a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the contract parties shall register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee.

Lease of properties

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, MOHURD promulgated the Administrative Measures for Commercial House Leasing (《商品房屋租賃管理辦法》) (the "New Lease Measures"), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB1,000 (individuals) and RMB1,000 to 10,000 (enterprises) provided that they fail to rectify within required time limits. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

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

REAL ESTATE REGISTRATION

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014 and amended on March 24, 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and amended 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.

REAL ESTATE FINANCING

Loans to real estate development enterprises

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

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

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

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

Trust loan

On March 1, 2007, The Measures for Administration of Trust Companies (《信託公司管理辦法》), which was promulgated by the CBRC on January 23, 2007, came into effect. For the purposes of these measures, "Trust Company" shall mean any financial institution established pursuant to the PRC Company Law and 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 Businesses of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》), promulgated by the CBRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use right certificates, construction land planning licenses, construction work planning licenses and construction work commencement licenses and the property projects of which less than 35% of the total investment is funded by the real estate developers' own capital (the 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments, and to 30% for other property projects as provided by the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (《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 on May 25, 2009), then the 30% requirement was changed to 25% for other property projects as provided by the Notice of the State Council on Adjusting and Improving the Capital System for Fixed Assets Investment Projects (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council and became effective on September 9, 2015.

Housing loans to individual buyers

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

The Notice on Certain Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》) promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and became effective on the same date provides that where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first house, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price.

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

The Notice on Adjustments in Respect of Certain Matters Concerning Individual Housing Loan Policies (《關於調整個人住房貸款政策有關問題的通知》), promulgated by PBOC and CBRC on February 1, 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25% of the property price and each city could adjust such ratio downwards by 5%; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30% of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations. 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.

ENVIRONMENTAL PROTECTION

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

CIVIL AIR DEFENSE PROPERTY

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

MEASURES ON STABILIZING HOUSING PRICES

The Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業稅政策的通知》) promulgated by MOF and SAT on March 30, 2015 and became 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 State Administration of Taxation and the Ministry of Housing and Urban-Rural Development on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions (《財政部、國家稅務總局、住房城鄉建設部關於調整房地產交易環節契稅、營業稅優惠政策的通知》) ("the Notice") promulgated on February 17, 2016 and became 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.

In accordance with 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》) (promulgated and implemented on April 1, 2017 by Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development), In cities featuring obvious contradiction between the supply of and demand for housing or under pressure due to increasing housing prices and more housing land, in particular the land for ordinary commercial houses, shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring a lot of destocking of real estate. All the local authorities shall build a land purchase money inspection system to ensure that the real estate developers use their own legal funds to purchase land.

Foreign Currency Exchange

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

Pursuant to the SAFE Circular No. 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident ("PRC Resident") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("Overseas SPV"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

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

TAXES

Corporate Income Tax

Pursuant to the EIT Law which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and with effect from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 revised on February 6, 2016 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale services, intangible assets, immovables, and the importation of goods are required to pay value-added tax.

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

Land Appreciation Tax (LAT)

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

Labor Protection

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

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

MANAGEMENT

GENERAL

Our board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information in respect of our directors as of the date of this offering memorandum:

Name	Age	Position(s)
YANG Jian (楊劍)	48	Executive director and chairman of our Board
CHEN Hongliang (陳紅亮)	39	Executive director, co-chief executive and co-president of the group
LI Heli (李和栗)	33	Executive director, co-president, co-chief executive and co-president of the group
YAU Sze Ka (Albert) (游思嘉)	48	Executive director, vice president and chief financial officer
WANG Kaiguo (王開國)	61	Independent non-executive director
WU Xiaobo (吳曉波)	60	Independent non-executive director
AU YEUNG Po Fung (歐陽寶豐)	53	Independent non-executive director

DIRECTORS

The Board currently consists of eight directors, comprising five executive directors and three independent non-executive directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

Executive Directors

Mr. YANG Jian (楊劍), aged 48, is the founder of the Group and was appointed as the executive Director and the chairman of the Board in March 2018. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Yang is principally responsible for the overall management and business operations of the Group, including coordinating board affairs, formulating strategies and operational plans, and making major business decisions. Since the establishment of the Group's PRC principal operating subsidiary Shanghai Zhongliang Real Estate in 2009 until October 2019, Mr. Yang has been the chairman of the board at Shanghai Zhongliang Real Estate, and has been in charge of coordinating board affairs, overseeing the company's development strategies and managing its daily operations, and Mr. Yang has been a director of Shanghai Zhongliang Real Estate since October 2019. Mr. Yang has also taken various roles at Shanghai Zhongliang Enterprise Development since its establishment in August 2016 to September 2019, including executive director, chairman of the board and managing director.

Mr. Yang has more than 26 years of experience in the PRC real estate industry. In August 1993, he joined Wenzhou Xinhua Real Estate Development Company (溫州市欣華房地產開發公司), the predecessor of Zhejiang Tianjian, which engaged in property development in the PRC and became the legal representative and chairman of Zhejiang Tianjian in November 1997. From August 2000 to June 2018, he had been the majority shareholder and controller of Zhejiang Tianjian who was in charge of its overall management and business operations. Mr. Yang received the Executive Education Program

Certificate from Cheung Kong Graduate School of Business (長江商學院), the PRC, in May 2016 after completing a course in investment and financing in capital market. Mr. Yang is the brother-in-law of Mr. Xu Liangqiong, one of the executive Directors who has resigned from the directorship since December 2019.

Mr. CHEN Hongliang (陳紅亮), aged 39, was appointed as the executive Director in December 2019. He is currently a co-chief executive and co-president of the group and a director of Shanghai Zhongliang Enterprise Development and various subsidiaries of the Group. He is primarily responsible for the governance and management of the Group, including strategies, human resources, mechanism accounting, legal, risk and financial management, real estate information management and brand building of the Group.

Mr. Chen has more than 14 years of experience in human resources. Since September 2009, Mr. Chen has worked for the subsidiaries of the Group holding different positions. He was the assistant president of the Group and was in charge of human resources center, legal affairs center and mechanism accounting center from August 2016 to August 2018, then he was promoted to vice president of the Company in August 2018 and subsequently promoted to the current position as a co-president of the property business in September 2019. Mr. Chen was the deputy general manager of human resources of the Group from March 2016 to August 2016, the director of human resources of the Group from March 2015 to March 2016 and as the deputy director of the Group from March 2013 to March 2015. He was the manager of corporate management department and head of office at Shanghai Zhongliang Real Estate from September 2009 to March 2013.

Prior to joining the Group, Mr. Chen was the manager of human resources at Suzhou Industrial Park Huacheng Real Estate Development Limited* (蘇州工業園區華成房地產開發有限公司) from October 2008 to September 2009. Prior to that, Mr. Chen was the manager of human resources administration at Suzhou Shengshi Real Estate Investment Group Ltd.* (蘇州盛世地產投資集團有限公司), which primarily engages in property development and sales, from January 2007 to October 2008. Mr. Chen graduated from Anhui University of Science and Technology (安徽理工大學) in Anhui Province, the PRC, in July 2004, majoring in human resources management. In February 2010, he obtained the Human Resources Management Certificate (Intermediate level)* (人力資源中級證) granted by Jiangsu Province Human Resources and Social Security Bureau* (江蘇省人力資源和社會保障廳).

Mr. LI Heli (李和栗), aged 33, was appointed as the executive Director in December 2019. He is currently a co-chief executive and co-president of the group and a director of Shanghai Zhongliang Real Estate and various subsidiaries of the Group. Mr. Li is primarily responsible for the management operation of the Group, including investment, product research, sales and customer service and business operations.

Mr. Li joined the Group in March 2015 as head of project development and head of marketing before he served as the assistant president of the investment development center from November 2016 to August 2018, then he was promoted to vice president of the Company in August 2018 and subsequently promoted to his current position as a co-president of the property business in September 2019. From March 2013 to February 2015, Mr. Li joined a property sales agency Wenzhou Qiyuan Real Estate Consultant Co., Ltd.* (溫州啟源房地產顧問有限公司), where he served as the marketing director and provided real estate market research and project planning services. From June 2009 to March 2013, he worked at New Hongjia Investment Advisory Firm* (新鴻嘉投資顧問有限公司) as a manager of market development department. Mr. Li obtained his bachelor's degree in social work from Suzhou University in Jiangsu Province, the PRC, in June 2009.

Mr. YAU Sze Ka (游思嘉), also known as Albert Yau, aged 48, joined the Group in April 2019 and was appointed as executive Director in December 2019. He is currently the vice president of the Group and a director of certain subsidiaries of the Group. Mr. Yau is primarily responsible for the overall financial management, fundraisings and capital market matters of the Group.

Mr. Yau has 25 years of experience in real estates, capital markets and corporate management. Mr. Yau was ranked the "Best CFO — Overall Number 1" in 2017 and 2018 and "Best CFO — Buyside Number 1" in 2019 of the "Property" category of "All-Asia Executive Team" rankings published by

Institutional Investor, the global finance magazine. From July 2011 to March 2019, Mr. Yau was the chief financial officer of CIFI Holdings (Group) Co. Ltd., a company principally engaged in property development and property investment in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 884). From December 2005 to June 2011, Mr. Yau was the director of corporate affairs of Lai Sun Garment (International) Limited, a company principally engaged in property investment and development in Hong Kong, PRC and overseas as well as investment in and operation of hotels and restaurants and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 191), where he was responsible for corporate finance, business development and investor relations. From January 2003 to December 2005, Mr. Yau was a director of DBS Asia Capital Limited, a company principally engaged in corporate finance and investment banking. From September 1999 to January 2003, Mr. Yau worked for ICEA Capital Limited, a company principally engaged in corporate finance and investment banking, and his last position held was an executive director of the investment banking division. From January 2017 to March 2019, Mr. Yau was an independent non-executive director of Wisdom Education International Holdings Company Limited, a company principally engaged in the provision of education services in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6068). Mr. Yau obtained a bachelor's degree of science from University of California at Berkeley, the United States in May 1994. He is also a holder of Chartered Financial Analyst.

Independent Non-executive Directors

Mr. WANG Kaiguo (王開國), aged 61, was appointed as an independent non-executive Director in June 2019 and is currently a member of the audit committee and the nomination committee of the Company. Prior to joining the Group, Mr. Wang has served at Shanghai Zhongping Capital Co. Ltd. (上海中平國瑀資產管理有限公司), an asset management company, as the chairman of the board of directors since August 2016. Mr. Wang has more than 24 years of experience working in financial institutions. from February 1995 to July 2016, he served at a Chinese securities corporation Haitong Securities Co., Ltd. (海通證券股份有限公司) and held various positions, including the deputy general manager, general manager, Secretary of the Leading Party Members' Group, Secretary of Party Committee and chairman of the board, president and executive director, where he began to host the work of Haitong Securities Co., Ltd. in a comprehensive way and led it to become a leading securities in China. Mr. Wang received his doctor's degree in economics from Xiamen University (廈門大學) in Fujian Province, the PRC in May 1990. Mr. Wang was certified as a senior economist by Bank of Communications in December 1997. Since May 2017, Mr. Wang has been an independent non-executive director of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司), a supplier of piped gas and other public utilities listed on the Shanghai Stock Exchange (stock code: 600635). He has also served as an independent non-executive director of a corporate commercial bank Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) since March 2017. From December 2009 to December 2014, Mr. Wang was an independent non-executive director at Shanghai Chlor-Alkali Chemical Co., Ltd. (上海氯堿化工股份有限公司), a company which manufactures and markets chlorine and alkaline chemicals and is listed on the Shanghai Stock Exchange (stock code: 600618). Since November 2018, Mr. Wang has been an independent non-executive director of Anxin Trust Co., Ltd (安信信託股份有限公司), (a company which engages in deposit and lending business, investment business and trust business and is listed on the Shanghai Stock Exchange (stock code: 600816)), as well as an independent non-executive director of Caitong Fund Management Co., Ltd. (財通基金管理有限公司), a company which engages in fund management business, fund establishment and other business as approved by the China Securities Regulatory Commission.

Mr. WU Xiaobo (吳曉波), aged 60, was appointed as an independent non-executive Director in June 2019 and is currently the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. Mr. Wu has extensive work experience acting as a strategy adviser in the manufacturing industry in terms of providing strategy, innovation, transnational development and management consulting services. Mr. Wu has served as an independent director of IKD Co., Ltd. (愛柯迪股份有限公司) (an auto parts manufacturer listed on the Shanghai Stock Exchange, stock code: 600933) since August 2018. From March 2010 to November 2015, Mr. Wu was a strategy adviser of Zhejiang Machinery and Electrical Group (浙江省機電集團), which manufactures and distributes machinery products, and he was responsible for corporate strategy consultation. He was also a strategy adviser of Geely Automobile Holdings Limited (吉利汽車控股有限公司), an automobile manufacturer listed on the Stock Exchange (stock code: 175) from September 2002 to August 2007. Mr. Wu graduated from Zhejiang University (浙江大學) in Zhejiang Province, the PRC, with a doctor's degree in management science and engineering in July 1992, a master's degree in engineering in June 1989 and a bachelor's degree in electrical engineering in January 1982.

Mr. AU YEUNG Po Fung (歐陽寶豐), aged 53, was appointed as an independent non-executive Director in June 2019 and is currently the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Au Yeung has extensive work experience in the real estate industry. He held various senior management positions in various real estate companies, including Beijing Huahong Group Co., Ltd. (北京華鴻集團), Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司), Fujian Sansheng Property Development Company Limited (福建三盛房地產開發有限公司), South China Assets Holdings Limited (南華資產控股有限公司), Shenzhen Tianlai Tourism Property Group (深圳天來文旅地產集團), Fosun Industrial Holdings Limited (復星地產控股有限公司) (a subsidiary of Fosun International Limited (復星國際有限公司)), Sun Hung Kai Properties Limited (新鴻基地產開發有限公司), Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), Greenland Hong Kong Holdings Limited (綠地香港控股有限公司), Landsea Green Group Co., Ltd. (朗詩綠色地產有限公司), Fu Wah International Enterprises Group Ltd. (富華國際集團有限公司). Mr. Au Yeung graduated from The Hong Kong Polytechnic (香港理工學院) (currently known as The Hong Kong Polytechnic University (香港理工大學)) in Hong Kong in November 1990 with a bachelor's degree in business studies. He was admitted as a fellow of The Association of Chartered Certified Accountants in November 2000, a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (HKICPA)) in May 2003, and a fellow of the Institute of Chartered Accountants in England and Wales in July 2015. Mr. Au Yeung was also certified as a chartered financial analyst (CFA) of the CFA Institute in September 2006.

Mr. Au Yeung has served as an independent non-executive director of Sinic Holdings (Group) Company Limited (新力控股(集團)有限公司) (a real estate developer listed on the Main Board of the Stock Exchange, stock code: 2103) since August 2019, eBroker Group Limited (電子交易集團有限公司) (a financial technology solution provider listed on GEM of the Stock Exchange, stock code: 8036) since February 2019, Redsun Properties Group Limited (弘陽地產集團有限公司) (a real estate developer listed on the Main Board of the Stock Exchange, stock code: 1996) since June 2018, Shanshan Brand Management Co., Ltd. (杉杉品牌運營股份有限公司) (a menswear company focusing on design, marketing and sale of formal and casual business menswear in the PRC listed on the Main Board of the Stock Exchange, stock code: 1749) since May 2018. From July 2017 to February 2020, he served as an independent non-executive director of GR Properties Ltd. (國銳地產有限公司) (a property development and management company listed on the Main Board of the Stock Exchange, stock code: 108). From July 2017 to September 2019, he served as an independent non-executive director of China LNG Group Limited (中國天然氣集團有限公司) (an asset management and new energy development company listed on the Main Board of the Stock Exchange, stock code: 931). From May 2016 to September 2016, he served as an independent non-executive director of Kiu Hung International Holdings Limited (僑雄國際控股有限公司) (a company which engages in toys manufacturing and resources and leisure-related business and is listed on the Main Board of the Stock Exchange, stock code: 381).

COMPANY SECRETARY

Mr. YEUNG Tak Yip (楊德業), aged 38, was appointed as the company secretary in July 2018. Mr. Yeung possesses over six years of experience in company secretarial practice and more than 15 years of experience in finance and administration. Prior to joining the Group, he was the company secretary, financial controller, director of investor relations and authorised representative of Modern Land (China) Co., Limited, which engages in property development and provision of real estate related services and is listed on the Stock Exchange (stock code: 1107), from April 2016 to April 2018. From October 2012 to April 2016, Mr. Yeung was the company secretary and group financial controller of China Water Property Group Limited (currently known as China City Infrastructure Group Limited), a property development group listed on the Stock Exchange (stock code: 2349). Mr. Yeung previously worked at Deloitte & Touche as an audit manager from April 2008 to February 2011 and as an auditor from September 2003 to April 2008. He received his bachelor's degree in professional accountancy from

The Chinese University of Hong Kong in Hong Kong in May 2003. He has also been fellow member of the Association of Chartered Certified Accountants since March 2013 and Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2010.

BOARD COMMITTEES

Audit Committee

The primary duties of our audit committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board. Members of the audit committee are Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo. Mr. Au Yeung Po Fung is the chairman of the audit committee.

Remuneration Committee

The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our directors and senior management. The remuneration of all our directors and senior management is subject to regular monitoring by our remuneration committee to ensure that levels of their remuneration and compensation are appropriate. Members of the remuneration committee are Mr. Wu Xiaobo, Mr. Yang Jian and Mr. Au Yeung Po Fung. Mr. Wu Xiaobo is the chairman of the remuneration committee.

Nomination Committee

The primary responsibilities of the nomination committee are to consider and recommend to our Board suitable and qualified candidates of directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on a regular basis. Members of the nomination committee are Mr. Yang Jian, Mr. Wang Kaiguo and Mr. Wu Xiaobo. Mr. Yang Jian is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our directors have received (including fees, salaries, allowances and other benefits in kind, performance-related bonuses, pension scheme contribution and social welfare) for each of the years ended December 31, 2017, 2018 and 2019 was approximately RMB11.2 million, RMB29.1 million and RMB78.4 million (US$11.1 million), respectively.

POST-IPO SHARE OPTION SCHEME

In order to incentivize our directors, senior management, connected persons and other grantees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the post-IPO share option scheme conditionally adopted pursuant to the written resolutions passed by our shareholders on June 19, 2019.

PRINCIPAL SHAREHOLDERS

As of June 30, 2020, so far as is known to our Company, as recorded in the register required to be kept by our Company under section 336 of the SFO, the following persons had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest	Number of Shares or underlying Shares[1]	Approximate percentage of shareholding[1]
Yang Jian	Founder of a discretionary trust[2]	2,822,167,839	78.79%
	Interest in controlled corporations[3]	89,121,090	2.49%
	Interest of spouse[4]	59,414,060	1.66%
Liangzhong International Co., Ltd.	Beneficial owner	2,822,167,839	78.79%
Xu Xiaoqun	Interest in controlled corporation	59,414,060	1.66%
	Interest of spouse	2,911,288,929	81.28%
Changxing International Co., Ltd.	Interest of controlled corporation[5]	2,822,167,839	78.79%
Changxing Pte. Ltd.	Trustee[5]	2,822,167,839	78.79%

Notes:

(1) As of June 30, 2020, our Company issued 3,581,791,500 Shares.

(2) 2,822,167,839 Shares are held by Liangzhong International Co., Ltd., a company directly wholly-owned by Changxing International Co., Ltd., which is in turn wholly-owned by Changxing Pte. Ltd. Changxing Pte. Ltd. is the trustee of a discretionary trust set up by Mr. Yang Jian. By virtue of Part XV of the SFO, Mr. Yang Jian is deemed to be interested in the Shares held by Liangzhong International Co., Ltd.

(3) Liangyi International Co., Ltd., a company directly wholly-owned by Mr. Yang Jian, directly holds 89,121,090 Shares of the Company. By virtue of the SFO, Mr. Yang Jian is deemed to be interested in 89,121,090 Shares held by Liangyi International Co., Ltd.

(4) Liangtai International Co., Ltd., a company directly wholly owned by Ms. Xu Xiaoqun, the spouse of Mr. Yang Jian, directly holds 59,414,060 Shares of the Company. By virtue of Part XV of the SFO, Ms. Xu Xiaoqun is deemed to be interested in 59,414,060 Shares held by Liangtai International Co., Ltd. and Mr. Yang Jian, as the spouse of Ms. Xu Xiaoqun, is deemed to be interested in the same number of Shares in which Ms. Xu Xiaoqun is interested.

(5) Liangzhong International Co., Ltd. is directly wholly-owned by Changxing International Co., Ltd., which is in turn wholly-owned by Changxing Pte. Ltd. Changxing Pte. Ltd. is the trustee of a discretionary trust set up by Mr. Yang Jian. By virtue of the SFO, Changxing Pte. Ltd. and Changxing International Co., Ltd. are deemed to be interested in the Shares held by Liangzhong International Co., Ltd.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

MAJOR RELATED PARTY TRANSACTIONS

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(In thousands) (Unaudited)		(Unaudited)	(Unaudited)
Advance to related companies:							
Companies controlled by certain directors and/or their close family members	1,079,907	879,640	653	92	—	—	—
Joint ventures and associates	4,515,742	16,340,940	18,046,174	2,554,270	4,155,977	10,461,204	1,480,687
Companies controlled by the ultimate controlling shareholders	18,143,554	20,715,480	79,352	11,232	23,753	—	—
Repayment of advances to related companies:							
Companies controlled by certain directors and/or their close family members	1,383,650	1,116,338	14,591	2,065	57,655	—	—
Joint ventures and associates	6,828,090	10,042,749	18,205,777	2,576,860	5,839,174	9,041,583	1,279,753
Companies controlled by the ultimate controlling shareholders	19,904,577	19,092,375	302,243	42,780	246,644	—	—
Advance from related companies:							
Companies controlled by certain directors and/or their close family members	511,758	547,304	—	—	—	—	—
Joint ventures and associates	5,221,476	12,999,594	15,215,605	2,153,629	5,827,078	7,902,884	1,118,581
Companies controlled by the ultimate controlling shareholders	16,285,376	5,128,989	94,494	13,375	—	—	—
Repayment of advances from related companies:							
Companies controlled by certain directors and/or their close family members	1,288	616,639	119,458	16,908	119,458	—	—
Joint ventures and associates	2,072,345	9,494,973	10,545,731	1,492,651	3,360,163	4,074,240	576,671
Companies controlled by the ultimate controlling shareholders	14,507,376	5,846,406	164,757	23,320	70,778	—	—
Property management services to joint ventures and associates(1)	2,414	1,199	—	—	—	—	—
Other services to joint ventures and associates(1)	56,057	86,338	181,276	25,658	86,607	72,009	10,192
Interest income from companies controlled by certain directors and/or their close family members(1)	67,844	133,411	—	—	—	—	—
Donation to a company controlled by certain directors and/or their close family members(2)	—	—	—	—	—	4,000	566
Finance costs from a company significantly impacted by certain directors(1)	—	23,086	3,750	531	3,750	—	—
Property management services from companies controlled by the ultimate controlling shareholders(1)	—	98,734	221,575	31,362	87,028	103,387	14,633
Design, decoration and outfitting service from companies controlled by the ultimate controlling shareholders(1)	—	—	8,238	1,166	—	101,625	14,384

Notes:

(1) The transaction was carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

(2) As of June 30, 2020, we have donated up to RMB4,000,000 to 上海中梁公益基金會 ("hongliang Foundation", the director of which is a close family member of our Controlling Shareholders.

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 external borrowings amounted to RMB52,809.4 million (US$7,474.7 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 Construction bank, Agricultural Bank of China, China CITIC Bank, Bank of Communications, Shanghai Pudong Bank, Ping An Bank, China Minsheng Bank, China Merchants Bank, Bank of Shanghai and China Bohai Bank. These loans are typically project loans to finance the construction of our projects (the ''project loans'') and have terms ranging from one to five 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 RMB27,750.0 million (US$3,927.8 million), of which RMB5,240.0 million (US$741.7 million) was due within one year, RMB16,033.0 million (US$2,269.3 million) was due between one and two years and RMB6,477.0 million (US$916.8 million) was due between three and five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by our Company and certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2020, the weighted average interest rate on the aggregate outstanding amount of our project loans was 8.9% per annum.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party

Events of Default

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of June 30, 2020, RMB24,595.0 million (US$3,481.2 million) of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including equity interests in certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the project loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- if the borrower's after-tax profit is nil or negative;
- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

TRUST FINANCING AND ASSET MANAGEMENT ARRANGEMENTS

We also enter into financing arrangements with trust companies, asset management companies, including but not limited to China Cinda Asset Management, CITIC Trust, Ping An Trust and China Mingsheng Trust, and their financing vehicles in the ordinary course of business to finance our property development and other related operations. These local trust institutions, security companies and asset management companies provide loans for purposes of our project development in return for interest payments, and have terms ranging from three to 36 months. Our trust financing and asset management arrangements are guaranteed by certain PRC subsidiaries or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares). Some of our trust financing and asset management arrangements may also be secured by other securities, including pledges of land use rights or properties under development of the relevant property projects. As of June 30, 2020, total outstanding principal of our trust financing and asset management arrangements amounted to RMB16,010.5 million (US$2,266.1 million).

OFFSHORE FACILITIES

Hang Seng Facility

On March 16, 2020, we, as the borrower, accepted a facility letter ("**Hang Seng Facility Letter**") issued by Hang Seng Bank Limited, as lender, in connection with a term loan facility in the aggregate principal amount of US$20.0 million (the "**Hang Seng Facility**"). The Hang Seng Facility will mature upon 12 months after the first drawdown date.

Interest

Under the Hang Seng Facility Letter, the interest rate is at 2.75% per annum over HIBOR/LIBOR or the lenders' cost of fund, whichever is higher, payable at the end of each interest period or quarterly in arrears if six months period is selected.

Covenants

Pursuant to the Hang Seng Facility Letter, we agreed to the following financial covenants:

- the consolidated tangible net worth shall not at any time be less than RMB9,000,000,000;

- the ratio of consolidated net borrowings to consolidated tangible net worth shall not be more than 0.95x;

- the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) to consolidated interest expense shall not be less than 2.25x;

- the ratio of consolidated borrowings in the PRC to consolidated total assets shall not be more than 0.5x; and

- the value of any dividends and any other income distribution in cash to shareholder declared and paid by us in any financial year shall not exceed 40% of its net profit after tax for such year.

We have further agreed, among other things, that we will not (i) maintain 100% shareholding in the corporate guarantors and maintain control over the management and business of the group; (ii) ensure that our shares will remain listed on the Stock Exchange and save for purely technical reasons, will not be suspended from listing for more than 10 consecutive trading days; (iii) merge or consolidate with any non-group companies which shall impair our ability to fulfill our obligation under the Hang Seng Facility; or (iv) use proceeds from the Hang Seng Facility for any property acquisition and/or property investment activities in Hong Kong and overseas.

SENIOR NOTES

September 2021 Notes

On September 26, 2019, we entered into an indenture (as amended or supplemented from time to time, the "September 2021 Indenture"). Pursuant to the September 2021 Indenture, we issued an aggregate principal amount of US$400,000,000 of the September 2021 Notes on September 26, 2019 and October 10, 2019. The September 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US$400,000,000 principal amount of the September 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the September 2021 Notes are guaranteed by our existing subsidiaries (the "September 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the September 2021 Indenture. Each of the September 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the September 2021 Notes.

Interest

The September 2021 Notes bear an interest rate of 11.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the September 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;

- making investments, dividend payments or other specified restricted payments;

- issuing or selling capital stock of Restricted Subsidiaries;

- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

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

Change of Control Triggering Event

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

Maturity and Redemption

The maturity date of the September 2021 Notes is September 26, 2021.

At any time prior to September 26, 2021, we 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.

At any time prior to September 26, 2021, we may, at its option, 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 in an Equity Offering at a redemption price of 111.50% 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;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the September 2021 Notes at a redemption price equal to 100% of the principal amount of the September 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2020 Notes

On November 26, 2019, we entered into an indenture (as amended or supplemented from time to time, the "2020 Indenture"). Pursuant to the 2020 Indenture, we issued an aggregate principal amount of US$200,000,000 of the 2020 Notes on November 26, 2019. The 2020 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US$200,000,000 principal amount of the 2020 Notes is outstanding.

Guarantee

The obligations pursuant to the 2020 Notes are guaranteed by our existing subsidiaries (the "2020 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2020 Indenture. Each of the 2020 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the 2020 Notes.

Interest

The 2020 Notes bear an interest rate of 9.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2020 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2020 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the 2020 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the 2020 Indenture or the holders of at least 25% of the outstanding 2020 Notes may declare the principal of the 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control Triggering Event

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2020 Notes is November 24, 2020.

At any time prior to November 24, 2020, we 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.

At any time prior to November 24, 2020, we may, at its option, 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 in an Equity Offering at a redemption price of 109.75% 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;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

February 2021 Notes

On February 18, 2020, we entered into an indenture (as amended or supplemented from time to time, the "February 2021 Indenture"). Pursuant to the February 2021 Indenture, we issued an aggregate principal amount of US$250,000,000 of the February 2021 Notes on February 18, 2020. The September 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US$250,000,000 principal amount of the February 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the February 2021 Notes are guaranteed by our existing subsidiaries (the "February 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the February 2021 Indenture. Each of the February 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the February 2021 Notes.

Interest

The February 2021 Notes bear an interest rate of 8.75% per annum, payable in arrears.

Covenants

Subject to certain conditions and exceptions, the February 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;

- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

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

Change of Control Triggering Event

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

Maturity and Redemption

The maturity date of the February 2021 Notes is February 16, 2021.

At any time prior to February 16, 2021, we 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.

At any time prior to February 16, 2021, we may, at its option, 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 in an Equity Offering at a redemption price of 108.75% 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;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the February 2021 Notes at a redemption price equal to 100% of the principal amount of the February 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

June 2021 Notes

On June 17, 2020, we entered into an indenture (as amended or supplemented from time to time, the "June 2021 Indenture"). Pursuant to the June 2021 Indenture, we issued an aggregate principal amount of US$250,000,000 of the June 2021 Notes on June 17, 2020. The June 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US$250,000,000 principal amount of the June 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the June 2021 Notes are guaranteed by our existing subsidiaries (the "June 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the June 2021 Indenture. Each of the September 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the June 2021 Notes.

Interest

The June 2021 Notes bear an interest rate of 8.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the June 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

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

Change of Control Triggering Event

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

Maturity and Redemption

The maturity date of the June 2021 Notes is June 27, 2021.

At any time prior to June 27, 2021, we 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.

At any time prior to June 27, 2021, we may, at its option, 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 in an Equity Offering at a redemption price of 108.75% 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;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the June 2021 Notes at a redemption price equal to 100% of the principal amount of the June 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "**Company**" refers only to Zhongliang Holdings Group Company Limited, 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 October 29, 2020, among the Company, the Subsidiary Guarantors and China Construction Bank (Asia) Corporation Limited, as trustee (the "**Trustee**").

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

Brief Description of the Notes

The Notes:

- are general obligations of the Company;
- 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 the Existing Notes and 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 July 29, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 9.5% 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 arrears on July 29, 2021, January 29, 2022 and July 29, 2022 (each an "**Interest Payment Date**"). Interest on the Notes will be paid to the Holders of record at the close of business on July 14, 2021, January 14, 2022 and July 14, 2022 (each, a "**Record Date**"), notwithstanding any transfer, exchange or cancelation 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 Heng Rong Co., Limited, Zhongliang Hongkong Property Investment Group Co., Limited, Zhongliang International Development Company Limited and Ample Sino Investments Limited (collectively, the "**Initial Subsidiary Guarantors**"). The Initial Subsidiary Guarantors are holding companies that do not have significant operations. Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the "**Initial Other Non-Guarantor Subsidiaries**") nor those Restricted Subsidiaries organized under the laws of the PRC (the "**PRC Non-Guarantor Subsidiaries**") will be a Subsidiary Guarantor on the Original Issue Date. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) (in the case of a Restricted Subsidiary) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the

Capital Stock of such Restricted Subsidiary, or (y) (in the case of any other entity) is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, 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 the Existing Notes and 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 the Existing Notes and 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 "**New Non-Guarantor Subsidiaries**," and together with the Initial Other Non-Guarantor Subsidiaries, 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 RMB52,809.4 million (US$7,474.7 million), of which approximately RMB51,191.1 million (US$7,245.6 million) was secured debt.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total debt of approximately RMB1,618.2 million (US$229.0 million), capital commitments of approximately RMB81,007.9 million (US$11,465.9 million) and contingent liabilities of approximately RMB47.2 million (US$6.7 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 right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be 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 New Non-Guarantor Subsidiaries (such that each New 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 New 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 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 and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iii) 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 July 29, 2022, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying and Transfer Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to July 29, 2022, the Company may, at its option, 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 109.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

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, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

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

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (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 Triggering Event 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 Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's 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 Triggering Event" 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 Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure 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.

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 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 or issuance of Preferred Stock 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 designed 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 35% 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$50.0 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 35% 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 35% 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$50.0 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 35% 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 35% 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 35% 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 35% 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 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 (1) Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, and (2) payments made by the Company and the Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, but excluding all other Restricted Payments permitted by the next succeeding paragraph), 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 January 1, 2019 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); *plus*

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than

Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; *plus*

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (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 Measurement 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 Measurement 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$50.0 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, (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$10.0 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 on the Common Stock of the Company by the Company in an aggregate amount not to exceed 25% of profit for year based on the consolidated financial statements of the Company in the immediate prior fiscal year;

(14) payments, including distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof;

(15) the distributions or payments of Securitization Fees in connection with Receivable Financings; or

(16) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to the Original Issue Date in an amount as announced on the Hong Kong Stock Exchange,

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 (16) 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 (16) 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 by the Company or 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.

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 Hong Kong Stock Exchange 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 disclosed publicly by the Company through announcements on the Stock Exchange of Hong Kong Limited, 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$15.0 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$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated.

When accumulated Excess Proceeds exceeds US$20.0 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 by lot or such other method the Trustee determines in its sole and absolute discretion. 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 Asset Sales"; and

(8) Clause (4) 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 reinstituted 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 ordinary shares 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 Triggering Event" 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;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$30.0 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$30.0 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 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 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 to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability or that 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 it does not believe that reimbursement or indemnity and/or security 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 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;

(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; and

(7) no Rating Decline shall have occurred.

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";

(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) no Rating Decline shall have occurred,

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 or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, (ii) Holders or beneficial owners of the Notes that are located 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;

(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 (or its agent) 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 Waiver

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 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 or the Trustee 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 installment 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 Triggering Event 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 federal securities laws.

Concerning the Trustee and the Agents

China Construction Bank (Asia) Corporation Limited 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 an Event of 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 against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company 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. The Trustee 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 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.

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 depositary and registered in the name of the common depositary 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 depositary 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 depositary 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 depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global 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 July 29, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the

Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, at any time during the period for which the determination of affiliation is made; (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 July 29, 2022, plus (y) all required remaining scheduled interest payments due on such Note through July 29, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"**Asset Acquisition**" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the 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, *provided* that Capitalized Lease shall not include any lease which would have been classified as an "operating lease" before the adoption of GAAP 16.

"**Capitalized Lease Obligations**" means the discounted present value of the rental obligations under a Capitalized Lease.

"**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.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline.

"**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 include, without limitation, all series and classes of such common stock or ordinary shares.

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to July 29, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to July 29, 2022.

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

"**Consolidated Assets**" means, with respect to any Restricted Subsidiary at any date of determination, the Company and 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. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Fixed Charges.

"**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* Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as "operating leases" before the adoption of GAAP 16 and (y) interest expense accruing on pre-sale receipts in advance from customers; and *provided further* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

"**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 a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); 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 Stated Maturity of the Notes, redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such

Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions "— Certain Covenants — Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" 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 Triggering Event."

"**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; *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.

"**Existing Notes**" means (i) the US$400 million 11.5% senior notes due 2021 issued by the Company pursuant to an indenture dated as of September 26, 2019 (as such may be amended, supplemented or modified from time to time), (ii) the US$200 million 9.75% senior notes due 2020 issued by the Company pursuant to an indenture dated as of November 26, 2019 (as such may be amended, supplemented or modified from time to time), (iii) the US$250 million 8.75% senior notes due 2021 issued by the Issuer pursuant to an indenture dated as of February 18, 2020 (as such may be amended, supplemented or modified from time to time) and (iv) the US$250 million 8.75% senior notes due 2021 issued by the Issuer pursuant to an Indenture dated as of June 29, 2020 (as such may be amended, supplemented or modified from time to time).

"**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.

"**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, (2) Entrusted Loans, or (3) any Perpetual Securities Obligation; *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 Fitch or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "–"" indication, or an equivalent rating representing one of the four highest rating categories, by Lianhe Global or any of its successor 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 Fitch or Lianhe Global or both 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.

"**Lianhe Global**" means "Lianhe Ratings Global Limited."

"**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.

"**Measurement Date**" means September 26, 2019.

"**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 promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 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. Yang Jian and Ms. Xu Xiaoqun;

(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 25% 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) and

(iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (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; and

(22) Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date.

"**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)(b), (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.

"**Perpetual Securities Obligation**" means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles.

"**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) Fitch and (2) Lianhe Global, provided that if Fitch or Lianhe Global or both of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Fitch, Lianhe Global, or both of them, as the case may be.

"**Rating Category**" means (1) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (2) with respect to Lianhe Global, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of Fitch or Lianhe Global 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 Fitch and Lianhe Global; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch or Lianhe Global, a decline in a rating from "BB+" to "BB," as well as from "BB–" to "B+," will constitute a decrease of one gradation).

"**Rating Date**" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade; or

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) In the event the Notes are rated below Investment Grade by both of the Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**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 circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, 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 Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands courts.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary in the Cayman Islands in the following form:

"The Tax Concessions Law
Undertaking As To Tax Concessions
In accordance with the Tax Concessions Law the following undertaking is hereby given to:
Zhongliang Holdings Group Company Limited "the Company"

(a) That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable

  (i) on or in respect of the shares debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of THIRTY years from the 7th day of November 2018."

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

BRITISH VIRGIN ISLANDS

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Notes or payments the Subsidiary Guarantors or JV Subsidiary Guarantors may make under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

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, Subsidiary Guarantees and JV Subsidiary Guarantees — 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

Guotai Junan Securities (Hong Kong) Limited, UBS AG Hong Kong Branch, BOCI Asia Limited, China CITIC Bank International Limited, CCB International Capital Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, Standard Chartered Bank, BOCOM International Securities Limited and Vision Capital International Holdings Limited are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated October 21, 2020, each Initial Purchaser named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes
Guotai Junan Securities (Hong Kong) Limited	US$32,000,000
UBS AG Hong Kong Branch	US$32,000,000
BOCI Asia Limited	US$13,400,000
China CITIC Bank International Limited	US$13,400,000
CCB International Capital Limited	US$13,400,000
CMB International Capital Limited	US$13,400,000
Credit Suisse (Hong Kong) Limited	US$24,000,000
Deutsche Bank AG, Hong Kong Branch	US$14,400,000
Standard Chartered Bank	US$24,000,000
BOCOM International Securities Limited	US$10,000,000
Vision Capital International Holdings Limited	US$10,000,000
Total	US$200,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, the Company has 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.

During the period beginning on the date hereof and continuing to the Closing Date, without the prior written consent of the Initial Purchasers, none of the Issuer and the Subsidiary Guarantors will offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any debt securities issued or guaranteed by the Issuer or the Subsidiary Guarantors.

The Notes will constitute a new class of securities with no established trading market. Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors only. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering of the Notes, the Initial Purchasers (other than China CITIC Bank International Limited) may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

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

The Initial Purchasers or their respective affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

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

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

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

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

PRIIPs/Prohibition of Sales to EEA and UK Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK").

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA or in the UK. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (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.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United Stated except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) 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 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 Issuer or any of the Subsidiary Guarantors; and

(c) 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

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the 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" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

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

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each 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.

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 309(A)(1) of the SFA), that the Notes are "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).

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Initial Purchasers have represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such invitation is made hereby. The Initial Purchasers have represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

British Virgin Islands

No invitation will be made directly or indirectly the public in the British Virgin Islands or to any person resident or citizen in the British Virgin Islands to subscribe for any of the Notes. This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Subsidiary Guarantees (collectively, the "Securities").

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Securities have not been registered under the Securities Act or any other applicable securities laws;

   - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.

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

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

5. You also acknowledge that each note will contain a legend substantially to the following effect:

   THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THE "SECURITY") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Paying and Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Initial Purchasers, the Trustee and the Paying and Transfer Agent. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated B+ by Fitch Ratings and BB by Lianhe Global. We have been assigned a long-term corporate credit rating of B1 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B+ with a stable outlook by Standard and Poor's, a long-term foreign currency issuer default rating of B+ with a stable outlook by Fitch Ratings and a long-term corporate credit rating of BB with a stable outlook by Lianhe Global. We cannot assure you that the ratings on the Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law and Walkers (Hong Kong) as to matters of Cayman Islands law and BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

The accountants' report on the 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 Ernst & Young, certified public accountants, as stated in their reports appearing herein. Our unaudited interim condensed consolidated financial information for the six months ended and as of June 30, 2020 have been reviewed by Ernst & Young, 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 October 19, 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, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee, following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the Notes is outstanding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Financial Information" in this offering memorandum, together with the Data Privacy Notice, may be obtained during normal business hours on any weekday (except public holidays) at the principal/registered office of the Company.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes.	XS2247412518	224741251

LISTING OF THE NOTES

Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the correctness of any statements made on opinions or reports contained in this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

INDEX TO FINANCIAL INFORMATION

Unaudited Financial Information as of and for the six months ended June 30, 2020

Audited Financial Statements as of and for the year ended December 31, 2019

Audited Financial Statements as of and for the years ended December 31, 2018, 2017 and 2016

Notes:

(1) Our unaudited consolidated financial information have been reproduced form our interim report for the six months ended June 30, 2020 and page references to pages set forth in such interim report.

(2) Our audited consolidated financial information have been reproduced form our annual report for 2019 and page references to pages set forth in such annual report.

(3) The attached accountants' report on our consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018 is a reproduction of Appendix I to the prospectus for our initial public offering dated June 27, 2019.

To the board of directors of Zhongliang Holdings Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 40 to 72, which comprises the condensed consolidated statement of financial position of Zhongliang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
24 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	**23,766,642**	20,556,565
Cost of sales		**(18,404,563)**	(15,522,059)
GROSS PROFIT		**5,362,079**	5,034,506
Other income and gains	5	**105,501**	83,577
Selling and distribution expenses		**(945,119)**	(1,007,433)
Administrative expenses		**(1,182,583)**	(1,055,179)
Impairment losses on financial assets, net		**(3,095)**	(5,014)
Other expenses		**(162,218)**	(41,527)
Fair value gains on investment properties	11	**41,176**	29,093
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(21,221)**	210
Finance income		**159,055**	192,294
Finance costs	7	**(196,489)**	(250,853)
Share of profits and losses of:			
Joint ventures		**(19,648)**	44,095
Associates		**499,394**	169,559
PROFIT BEFORE TAX	6	**3,636,832**	3,193,328
Income tax expense	8	**(1,426,678)**	(1,294,640)
PROFIT FOR THE PERIOD		**2,210,154**	1,898,688
Attributable to:			
Owners of the parent		**1,205,787**	1,204,108
Non-controlling interests		**1,004,367**	694,580
		2,210,154	1,898,688
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the period	10	**RMB0.34**	RMB0.40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**2,210,154**	1,898,688
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(11,808)**	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(11,808)**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(11,808)**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,198,346**	1,898,688
Attributable to:		
Owners of the parent	**1,193,979**	1,204,108
Non-controlling interests	**1,004,367**	694,580
	2,198,346	1,898,688

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**94,284**	117,679
Investment properties	11	**1,595,150**	1,196,550
Right-of-use assets		**108,460**	144,809
Intangible assets		**6,714**	8,128
Investments in joint ventures		**3,606,510**	3,240,364
Investments in associates		**11,993,056**	6,749,631
Prepayments, deposits and other receivables		**919,746**	—
Deferred tax assets		**3,447,339**	2,932,066
Total non-current assets		**21,771,259**	14,389,227
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**410,383**	290,723
Properties under development		**137,665,112**	128,779,890
Completed properties held for sale		**7,283,954**	4,140,691
Trade receivables	12	**6,299**	3,035
Due from related companies	22	**10,822,173**	9,446,200
Prepayments and other receivables		**41,325,540**	38,283,718
Tax recoverable		**3,107,995**	2,691,238
Cash and bank balances	13	**35,021,412**	26,495,261
Total current assets		**235,642,868**	210,130,756
CURRENT LIABILITIES			
Trade and bills payables	14	**12,645,198**	12,060,536
Other payables and accruals		**20,745,390**	19,019,087
Contract liabilities		**125,095,791**	115,873,077
Due to related companies	22	**15,819,521**	11,985,635
Interest-bearing bank and other borrowings	15	**17,920,843**	20,125,313
Lease liabilities		**88,014**	46,234
Tax payable		**3,690,789**	3,406,783
Provision for financial guarantee contracts	16	**47,244**	31,364
Senior notes	17	**5,054,138**	1,378,045
Other financial liabilities		**93,573**	92,378
Total current liabilities		**201,200,501**	184,018,452
NET CURRENT ASSETS		**34,442,367**	26,112,304
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,213,626**	40,501,531

	Notes	**30 June 2020 (Unaudited) RMB'000**	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**27,042,777**	15,860,556
Lease liabilities		**42,500**	100,210
Deferred tax liabilities		**890,958**	851,884
Senior notes	17	**2,791,595**	2,817,326
Total non-current liabilities		**30,767,830**	19,629,976
NET ASSETS		**25,445,796**	20,871,555
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**31,450**	31,450
Reserves		**8,844,857**	8,696,650
		8,876,307	8,728,100
Non-controlling interests		**16,569,489**	12,143,455
Total equity		**25,445,796**	20,871,555

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital RMB'000 Note 18	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
31 December 2019 and 1 January 2020 (audited)	31,450	3,629,765	3,138	(29,153)	1,242,937	3,862,528	(12,565)	8,728,100	12,143,455	20,871,555
Profit for the period	–	–	–	–	–	1,205,787	–	1,205,787	1,004,367	2,210,154
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(11,808)	(11,808)	–	(11,808)
Total comprehensive income for the year	–	–	–	–	–	1,205,787	(11,808)	1,193,979	1,004,367	2,198,346
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	3,449,896	3,449,896
Dividends and distributions	–	–	–	–	–	(1,073,135)	–	(1,073,135)	–	(1,073,135)
Partial disposal of equity interests in subsidiaries without losing control	–	–	–	13,012	–	–	–	13,012	(13,012)	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(866)	(866)
Acquisition of non-controlling interests	–	–	–	14,351	–	–	–	14,351	(14,351)	–
As at 30 June 2020 (unaudited)	31,450	3,629,765	3,138	(1,790)	1,242,937	3,995,180	(24,373)	8,876,307	16,569,489	25,445,796

	Attributable to owners of the parent								
	Share capital RMB'000 Note 18	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
31 December 2018 and 1 January 2019 (audited)	85	954,732	3,138	(145,332)	606,519	1,159,534	2,578,676	4,175,556	6,754,232
Profit for the period	–	–	–	–	–	1,204,108	1,204,108	694,580	1,898,688
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	733,233	733,233
Partial disposal of equity interests in subsidiaries without losing control	–	–	–	92,182	–	–	92,182	(92,182)	–
Acquisition of non-controlling interests	–	–	–	(1,550)	–	–	(1,550)	1,550	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	1,436	1,436
As at 30 June 2019 (unaudited)	85	954,732	3,138	(54,700)	606,519	2,363,642	3,873,416	5,514,173	9,387,589

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,636,832**	3,193,328
Adjustments for:			
Depreciation of items of property, plant and equipment	6	**17,851**	22,761
Depreciation of right-of-use assets		**39,418**	30,863
Amortisation of intangible assets	6	**1,461**	161
Impairment losses recognised for properties under development	6	**152,816**	31,952
Impairment losses recognised for properties held for sale	6	**87,684**	—
Impairment losses recognised for financial assets		**3,095**	5,014
Changes in provision for financial guarantee contracts	16	**(14,992)**	(21,434)
Gain on disposal of subsidiaries	5	**(1,511)**	(29,128)
Gain on disposal of associates	5	**(46,852)**	—
Share of profits and losses of joint ventures		**19,648**	(44,095)
Share of profits and losses of associates		**(499,394)**	(169,559)
Fair value gains on investment properties	11	**(41,176)**	(29,093)
Fair value losses/(gains) on financial assets at fair value through profit or loss		**21,221**	(210)
Finance costs	7	**196,489**	250,853
Finance income		**(159,055)**	(192,294)
Increase in properties under development and completed properties held for sale		**(13,708,485)**	(16,154,271)
Increase in prepayments and other receivables		**(6,828,874)**	(11,687,537)
Increase in restricted cash		**(3,429,976)**	(5,069,408)
Increase in pledged deposits		**(299,490)**	(870,299)
(Increase)/decrease in trade receivables		**(3,264)**	4,354
Increase in trade and bills payables		**587,620**	2,101,101
Increase in other payables and accruals		**6,721,211**	2,841,523
Increase in contract liabilities		**9,222,714**	19,461,811
Decrease in amounts due to related companies		**48,890**	—
Cash used in operations		**(4,276,119)**	(6,323,607)
Interest received		**159,055**	192,294
Interest paid		**(1,688,828)**	(1,567,120)
Tax paid		**(2,048,832)**	(2,062,155)
Net cash flows used in operating activities		**(7,854,724)**	(9,760,588)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(9,072)**	(17,259)
Purchase of intangible assets		**(47)**	(384)
Acquisition of financial assets at fair value through profit or loss		**(140,881)**	(5,000)
Acquisition of a subsidiary		**—**	(19,432)
Disposal of subsidiaries	19	**(117,354)**	(323,184)
Gain on disposal of items of property, plant and equipment		**14,581**	—
Investments in joint ventures and associates		**(5,087,933)**	(1,084,187)
Disposal of a joint venture		**57,621**	—
Purchase of investment properties		**(357,424)**	(75,307)
Advances to related companies	22	**(10,461,204)**	(4,179,730)
Repayment of advances to related companies	22	**9,041,583**	6,143,473
Net cash flows (used in)/from investing activities		**(7,060,130)**	438,990
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		**3,449,896**	733,233
Advances from related companies	22	**7,902,884**	5,827,078
Repayment of advances from related companies	22	**(4,074,240)**	(3,550,399)
Increase in pledged deposits		**(212,001)**	(188,510)
Principal portion of lease payments		**(27,786)**	(41,768)
Proceeds from issue of senior notes		**3,478,425**	—
Proceeds from interest-bearing bank and other borrowings		**27,317,813**	18,000,990
Repayment of interest-bearing bank and other borrowings		**(18,339,730)**	(15,946,172)
Net cash flows from financing activities		**19,495,261**	4,834,452
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,580,407**	(4,487,146)
Cash and cash equivalents at beginning of the period		**14,955,756**	14,551,518
Effect of foreign exchange rate changes, net		**4,277**	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**19,540,440**	10,064,372
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**35,021,412**	24,721,435
Less: Restricted cash		**13,624,595**	12,961,477
Pledged deposits		**1,856,377**	1,695,586
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and statement of cash flows		**19,540,440**	10,064,372

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the six months ended 30 June 2020, the Group was principally involved in property development, property leasing and management consulting services.

In the opinion of the directors, the immediate holding company of the Company is Liangzhong International Co., Ltd. The ultimate controlling parties of the Group are Mr. Yang Jian and Ms. Xu Xiaoqun.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised IFRSs are described below. (Continued)

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amount of rent concession was not significant to the Group and the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, and no revenue, net profit or total assets from a single location exceeded 10% of the Group's consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with a similar nature of property development and leasing and management, a similar nature of the aforementioned business processes, a similar type or class of customers for the aforementioned businesses and similar methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a Group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**23,760,899**	20,552,417
Revenue from other sources		
Gross rental income	**5,743**	4,148
	23,766,642	20,556,565

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of properties	**23,654,596**	20,413,499
Other services	**106,303**	138,918
Total revenue from contracts with customers	**23,760,899**	20,552,417
Timing of revenue recognition		
Sale of properties transferred at a point in time	**22,264,902**	18,245,680
Sale of properties transferred over time	**1,389,694**	2,167,819
Services transferred over time	**106,303**	138,918
Total revenue from contracts with customers	**23,760,899**	20,552,417
Other income and gains		
Gain on disposal of subsidiaries	**1,511**	29,128
Gain on disposal of a joint venture	**46,852**	—
Changes in provision for financial guarantee contracts	**14,992**	21,434
Forfeiture of deposits	**4,819**	11,595
Government grants	**11,480**	9,438
Others	**25,847**	11,982
	105,501	83,577

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	**18,118,216**	15,387,074
Impairment losses recognised for properties under development	**152,816**	31,952
Impairment losses recognised for properties held for sale	**87,684**	—
Depreciation of right-of-use assets	**39,418**	30,863
Depreciation of items of property, plant and equipment	**17,851**	22,761
Amortisation of intangible assets	**1,461**	161
Foreign exchange loss, net	**88,962**	—
Auditor's remuneration	**4,100**	3,800
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages and salaries	**726,662**	596,231
Pension scheme contributions and social welfare	**87,200**	122,746

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings and senior notes	**1,840,955**	1,588,994
Interest expense arising from revenue contracts	**601,919**	526,582
Interest on lease liabilities	**8,787**	6,509
Total interest expense on financial liabilities not at fair value through profit or loss	**2,451,661**	2,122,085
Less: Interest capitalised	**(2,255,172)**	(1,871,232)
	196,489	250,853

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the six months ended 30 June 2020 and 2019.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax ("CIT") with a tax rate of 25%.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
CIT	**1,443,832**	1,299,710
LAT	**481,512**	505,046
Deferred tax	**(498,666)**	(510,116)
Total tax charge for the period	**1,426,678**	1,294,640

9. DIVIDENDS

The proposed 2019 final dividend of HK32.8 cents (equivalent to approximately RMB30.0 cents) per share, totalling HK$1,175 million (equivalent to approximately RMB1,073 million), was approved by the Company's shareholders at the annual general meeting on 5 June 2020. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2020.

On 24 August 2020, the board of directors declared an interim dividend of HK16.3 cents, equivalent to RMB14.6 cents (six months ended 30 June 2019: HK15.3 cents, equivalent to RMB13.8 cents) per ordinary share, amounting to a total of approximately HK$583.8 million, equivalent to RMB522.9 million (six months ended 30 June 2019: HK$548.0 million, equivalent to RMB494.3 million). The interim dividend has not been recognised as a liability at the end of the reporting period.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,205,787,000 (six months ended 30 June 2019: RMB1,204,108,000), and the weighted average number of ordinary shares of 3,581,791,500 (six months ended 30 June 2019: 3,000,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

11. INVESTMENT PROPERTIES

	Completed	**Under construction**	**Total**
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2019 (audited)	469,000	459,900	928,900
Additions	—	287,295	287,295
Transfer	257,250	(257,250)	—
Disposal of a subsidiary	(69,500)	—	(69,500)
Net gain from a fair value adjustment	2,805	47,050	49,855
Carrying amount at 31 December 2019 and 1 January 2020 (audited)	659,555	536,995	1,196,550
Additions	—	357,424	357,424
Transfer	210,168	(210,168)	—
Net gain from a fair value adjustment	15,127	26,049	41,176
Carrying amount at 30 June 2020 (unaudited)	884,850	710,300	1,595,150

The Group's investment properties as at 30 June 2020 and 31 December 2019 were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, on an open market, existing use basis.

11. INVESTMENT PROPERTIES (Continued)

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

Investment properties included in Level 3 are all completed investment properties and investment properties under development. There were no transfers among Level 1, Level 2 and Level 3 during the reporting period.

As at 30 June 2020, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB790,300,000 (31 December 2019: RMB351,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 15).

12. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	**6,299**	3,035

13. CASH AND BANK BALANCES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	35,021,412	26,495,261
Less: Restricted cash	13,624,595	10,194,619
Pledged deposits	1,856,377	1,344,886
Cash and cash equivalents	19,540,440	14,955,756
Denominated in RMB	16,853,778	14,506,628
Denominated in HK$	1,096,424	27,453
Denominated in US$	1,590,238	421,675
	19,540,440	14,955,756

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 30 June 2020, such restricted cash amounted to RMB13,202,669,000 (31 December 2019: RMB9,502,611,000).

Certain of the Group's restricted cash with an aggregate carrying amount of approximately RMB421,926,000 (31 December 2019: RMB692,008,000) has been pledged to secure bank and other borrowings granted to the Group (note 15).

As at 30 June 2020, certain of the Group's pledged deposits with an aggregate carrying amount of approximately RMB236,953,000 (31 December 2019: RMB44,757,000), has been pledged to secure bank and other borrowings granted to the Group (note 15).

Bank deposits of RMB1,619,424,000 (31 December 2019: RMB1,300,129,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

14. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Less than 1 year	12,456,473	11,706,261
Over 1 year	188,725	354,275
	12,645,198	12,060,536

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Bank loans — secured	2,226,080	2,193,310
Other loans — secured	9,361,796	10,378,095
Other loans — unsecured (Note)	1,618,205	890,550
Current portion of long term bank loans — secured	3,155,014	4,786,982
Current portion of long term other loans — secured	1,559,748	1,876,376
	17,920,843	20,125,313
Non-current		
Bank loans — secured	22,510,087	11,991,707
Bank loans — unsecured	—	1,150,000
Other loans — secured	4,532,690	2,718,849
	27,042,777	15,860,556
	44,963,620	35,985,869

15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	5,381,094	6,980,292
In the second year	16,033,415	11,251,174
In the third to fifth years, inclusive	6,476,672	1,890,533
	27,891,181	20,121,999
Other borrowings repayable:		
Within one year or on demand	12,539,749	13,145,021
In the second year	4,101,690	2,718,849
In the third to fifth years, inclusive	431,000	—
	17,072,439	15,863,870
	44,963,620	35,985,869

Certain of the Group's bank and other borrowings are secured by the pledges of the assets with carrying values at the end of the reporting period as follows:

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Properties under development		66,673,900	58,951,830
Investment properties	11	790,300	351,000
Restricted cash	13	421,926	692,008
Pledged deposits	13	236,953	44,757

15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

The management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

i. The Group's bank and other borrowings were guaranteed by its related parties (note 22(2)).

ii. Certain of the bank and other borrowings of up to RMB3,555,920,000 were guaranteed by the Company's non-controlling shareholders and independent third parties as at 30 June 2020 (31 December 2019: RMB4,241,440,000).

Note: With the consent of the lenders, the Group may deliver an extension request for certain unsecured other loans totally amounting to RMB1,061,925,000 that the repayment date will be extended for 364 days.

16. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	RMB'000
At 1 January 2020 (audited)	31,364
Fair value changes	(14,992)
Additions	30,872
At 30 June 2020 (unaudited)	47,244

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 20.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by directors of the Group.

The financial guarantee contracts are measured at the higher of the expected credit loss (ECL) allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the period ended 30 June 2020, an ECL allowance of RMB47,244,000 was provided as a result of guarantees provided to the joint ventures and associates (31 December 2019: RMB31,364,000).

17. SENIOR NOTES

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Principal at original currency US$'000	Contractual interest rate (%)	Maturity	RMB'000	Principal at original currency US$'000	Contractual interest rate (%)	Maturity	RMB'000
Senior notes due 2020 I ("2020 Notes")	200,000	9.75	2020	1,413,705	200,000	9.75	2020	1,378,045
Senior notes due 2021 I ("September 2021 Notes I")	300,000	11.50	2021	2,150,823	300,000	11.50	2021	2,107,742
Senior notes due 2021 II ("September 2021 Notes II")	100,000	11.50	2021	722,186	100,000	11.50	2021	709,584
Senior notes due 2021 I ("February 2021 Notes")	250,000	8.75	2021	1,810,060	—	—	—	—
Senior notes due 2021 II ("June 2021 Notes")	250,000	8.75	2021	1,748,959	—	—	—	—
				7,845,733				4,195,371
Less: Current portion				5,054,138				1,378,045
Non-current portion				2,791,595				2,817,326

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
The Group's senior notes were repayable as follows:		
Repayable within one year	5,054,138	1,378,045
Repayable in the second year	2,791,595	2,817,326
Repayable in the third to fifth years	—	—
Total	7,845,733	4,195,371

17. SENIOR NOTES (Continued)

June 2021 Notes

On 29 June 2020, the Company issued the June 2021 Notes at a coupon rate of 8.75% due within 2021 with an aggregate principal amount of US$250,000,000. The Company raised net proceeds of US$246,982,730 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 27 June 2021, the Company may, at its option, redeem the June 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the June 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to 27 June 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the June 2021 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 108.75% of the principal amount of the June 2021 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the June 2021 Notes at a redemption price equal to 100% of the principal amount of the June 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

February 2021 Notes

On 18 February 2020, the Company issued the February 2021 Notes at a coupon rate of 8.75% due within 2021 with an aggregate principal amount of US$250,000,000. The Company raised net proceeds of US$247,699,957 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 16 February 2021, the Company may at its option redeem the February 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the February 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to 16 February 2021, the Company, may at its option, redeem up to 35% of the aggregate principal amount of the February 2021 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 108.75% of the principal amount of the February 2021 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the February 2021 Notes at a redemption price equal to 100% of the principal amount of the February 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

18. SHARE CAPITAL

Shares

	30 June 2020 HK$ (Unaudited)	31 December 2019 HK$ (Audited)
Issued and fully paid: 3,581,791,500 (2019: 3,581,791,500) ordinary shares of HK$0.01 each (2019: HK$0.01 each)	**35,817,915**	35,817,915
Equivalent to RMB'000	**31,450**	31,450

19. DISPOSAL OF SUBSIDIARIES

(a) 濟寧梁順置業有限公司 ("Jining Liangshun Property Co., Ltd.")

Pursuant to the resolutions of shareholders and amendments to the articles of association dated 13 March 2020, the registered capital of Jining Liangshun Property Co., Ltd. ("Jining Liangshun") increased from RMB10,000,000 to RMB200,000,000. The additional capital of RMB50,000,000 was injected by a subsidiary of the Group, Zaozhuang Liangxin Real Estate Co., Ltd. ("Zaozhuang Liangxin"), while RMB140,000,000 was injected by the new shareholders. Zaozhuang Liangxin's equity interest in Jining Liangshun decreased from 100% to 30%. Upon the completion of the capital injection, the Group lost control over Jining Liangshun thereafter. This transaction is accounted for as deemed disposal of a subsidiary.

(b) 瑞安市梁潤置業有限公司 ("Ruian Liangrun Property Co., Ltd.")

Pursuant to the share transfer agreement dated 22 January 2020, the Group disposed of its 94% equity interest in Ruian Liangrun Property Co., Ltd. to 瑞安市中茂置業有限公司 ("Ruian Zhongmao Property Co., Ltd.") for a consideration of nil.

(c) 寧波市梁錦置業有限公司 ("Ningbo Liangjin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 20 April 2020, the Group disposed of its 66% equity interest in Ningbo Liangjin Property Co., Ltd. to 杭州建杭和樂置業有限公司 ("Hangzhou Jianhang Heyue Property Co., Ltd.") and 上海花樣年房地產開發有限公司 ("Shanghai Fantasia Real Estate Development Co., Ltd.") for a consideration of nil.

19. DISPOSAL OF SUBSIDIARIES (Continued)

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	35
Deferred tax assets	6,336
Properties under development	3,060,498
Cash and cash equivalents	117,354
Prepayments and other receivables	2,870,401
Trade and bills payables	(2,959)
Other payables and accruals	(6,054,042)
Non-controlling interests	866
	(1,511)
Gain on disposal of subsidiaries	1,511
Satisfied by cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	RMB'000 (Unaudited)
Cash consideration	–
Cash and bank balances disposed of	(117,354)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(117,354)

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group, and thus, the individual financial information of some subsidiaries on the disposal date was not disclosed.

20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the condensed consolidated financial information were as follows:

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	**56,210,615**	51,717,760
Guarantees given to banks in connection with facilities granted to related companies	(2)	**8,523,730**	10,228,866

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee periods start from the dates of grant of the relevant mortgage loans and end upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 30 June 2020, an allowance of RMB47,244,000 (31 December 2019: RMB31,364,000) was provided for as a result of the guarantees provided to the related companies.

21. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Property development activities	69,213,184	68,331,392
Acquisition of land use rights	7,737,950	2,887,197
Capital contributions payable to joint ventures and associates	4,056,736	3,999,720
	81,007,870	75,218,309

22. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Advances to related companies:		
Joint ventures and associates	10,461,204	4,155,977
Companies controlled by the ultimate controlling shareholders	–	23,753
Repayment of advances to related companies:		
Companies controlled by certain directors and/or their close family members	–	57,655
Joint ventures and associates	9,041,583	5,839,174
Companies controlled by the ultimate controlling shareholders	–	246,644
Advances from related companies:		
Joint ventures and associates	7,902,884	5,827,078
Repayment of advances from related companies:		
Companies controlled by certain directors and/or their close family members	–	119,458
Joint ventures and associates	4,074,240	3,360,163
Companies controlled by the ultimate controlling shareholders	–	70,778

22. RELATED PARTY TRANSACTIONS (Continued)

(1) Significant related party transactions (Continued)

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period: (Continued)

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other services to joint ventures and associates (Note)	**72,009**	86,607
Donation to a company controlled by certain directors and/or their close family members*	**4,000**	—
Finance costs from a company significantly impacted by certain directors (Note)	**—**	3,750
Property management services from companies controlled by the ultimate controlling shareholders (Note)	**103,387**	87,028
Design, decoration and outfitting services from companies controlled by the ultimate controlling shareholders (Note)	**101,625**	—

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

* As at 30 June 2020, the Group has donated up to RMB4,000,000 (30 June 2019: Nil) to 上海中梁公益基金會 ("Zhongliang Foundation"), the director of which is a close family member of the controlling shareholders of the Company.

(2) Other transactions with related parties

i. As at 30 June 2020, Deqing Jinhao Property Co., Ltd. (德清錦皓置業有限公司) has guaranteed certain of the bank and other borrowings of nil (31 December 2019: RMB235,200,000).

ii. As at 30 June 2020, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates of up to RMB8,523,730,000 (31 December 2019: RMB10,228,866,000).

22. RELATED PARTY TRANSACTIONS (Continued)

(3) Outstanding balances with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related companies:		
Companies controlled by certain directors and/or their close family members	–	43,717
Joint ventures and associates	10,820,915	9,401,294
Due to related companies:		
Joint ventures and associates	15,727,420	11,898,776

Balances with the above related parties were non-trade, unsecured, interest-free and had no fixed terms of repayments.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related companies:		
Companies controlled by the ultimate controlling shareholders	1,258	1,189
Due to related companies:		
Companies controlled by the ultimate controlling shareholders	92,101	86,859

Balances with the above related parties were trade, unsecured, interest-free and had no fixed terms of repayments.

(4) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	13,489	18,739
Pension scheme contributions	128	335
Total compensation paid to key management personnel	13,617	19,074

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Financial assets				
Financial assets at FVTPL	**410,383**	290,723	**410,383**	290,723
Financial liabilities				
Senior notes	**7,845,733**	4,195,371	**7,890,295**	4,205,800
Interest-bearing bank and other borrowings	**44,963,620**	35,985,869	**44,870,798**	36,000,290
Other financial liabilities	**93,573**	92,378	**93,573**	92,378
Provision for financial guarantee contracts	**47,244**	31,364	**47,244**	31,364

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors.. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 was assessed to be insignificant.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liability is categorised within level 3 of the fair value hierarchy.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other financial liabilities	Discounted cash flow method	Incremental borrowing cost	30 June 2020: 7.20%–22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB31,000/ RMB31,000
			2019: 7.20%–22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB103,000/ RMB103,000
		Expected rate of return per annum	30 June 2020: 16.97%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB8,000/ RMB8,000
			2019: 16.97%–21.45%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB22,000/ RMB22,000

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019: (Continued)

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Financial assets at FVTPL	Market approach	Net asset value per share	30 June 2020: 0.9756	1% increase/decrease in net asset value per share would result in an increase/decrease in fair value by RMB2,146,320/ RMB2,146,320
	Market approach	Net asset value	2019: 0.9708	1%increase/decrease in net asset value per share would result in an increase/decrease in fair value by RMB2,135,760/ RMB2,135,760

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	30 June 2020: 36.4%–39.5%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB288,170/ RMB288,170
			2019: 37.30%–40.00%	1% increase/decrease in recovery rate would result in a decrease/increase in fair value by RMB52,905/ RMB52,382
		Discount rate	30 June 2020: 1.2%–3.70%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB63,964/ RMB63,964
			2019: 1.26%–2.73%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB2,663/ RMB2,639

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Financial assets at FVTPL	**195,751**	**—**	**214,632**	**410,383**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Financial assets at FVTPL	77,147	—	213,576	290,723

The movements in fair value measurement within Level 3 during the period are as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Financial assets at FVTPL		
— Wealth management products at fair value		
At 1 January	**213,576**	228,757
Acquisition of financial assets at fair value	**—**	5,000
Disposal of financial assets at fair value	**—**	—
Fair value changes	**1,056**	210
At 30 June	**214,632**	233,967

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:
As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Other financial liabilities	**—**	**—**	**93,573**	**93,573**
Provision for financial guarantee contracts	**—**	**—**	**47,244**	**47,244**
	—	**—**	**140,817**	**140,817**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Other financial liabilities	—	—	92,378	92,378
Provision for financial guarantee contracts	—	—	31,364	31,364
	—	—	123,742	123,742

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (six months ended 30 June 2019: Nil).

24. EVENTS AFTER REPORTING PERIOD

On 7 July 2020, 62,300,000 share options, of which the exercise price was HK$5.83 per share, were granted to certain eligible participants (the "Grantees") under the Share Option Scheme, subject to the acceptance of the options by the Grantees. The options shall be exercisable within a period of ten years from the date of grant. Details can be referred to the Company's announcement dated on 7 July 2020.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 24 August 2020.

Independent Auditor's Report

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To the shareholders of Zhongliang Holdings Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongliang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 202, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB56,383,676,000, of which RMB6,126,666,000 was recognised over time. 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 buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.	In assessing the appropriateness of management's judgements relating to the accounting policies of revenue recognition, we have: (i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment; (ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms; (iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and (iv) assessed the competence, experience and objectivity of the legal counsel engaged by management.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Recognition of revenue from sales of properties over time (Continued)	
In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end. Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter. The disclosures of the revenue from sales of properties are included in notes 3 and 5 to the consolidated financial statements.	In respect of the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have performed the following procedures on a sample basis: (i) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology; (ii) obtained an understanding of the internal controls over the generation of cost data of the projects and property units, evaluated and tested them; (iii) assessed the reasonableness of the basis for the allocation of common costs among project units; (iv) assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas; (v) compared the estimated total development costs of the projects and property units under development to the budget approved by management; (vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable; and (vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Provision for land appreciation tax	
The Group is a property developer in mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditures, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditures. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in mainland China is significant to the consolidated financial statements and the determination of such provision involves significant management's judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter.	We involved internal tax specialists to assist us to perform a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and by applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group.
The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is DENIS MING KUI CHENG.

Ernst & Young
Certified Public Accountants
Hong Kong
10 April 2020

Consolidated Statements of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**56,639,596**	30,214,688
Cost of sales		**(43,457,345)**	(23,303,847)
GROSS PROFIT		**13,182,251**	6,910,841
Other income and gains	5	**233,873**	95,045
Selling and distribution expenses		**(2,030,081)**	(1,333,901)
Administrative expenses		**(2,549,711)**	(1,648,265)
Impairment losses on financial assets, net		**(9,870)**	(10,964)
Other expenses		**(255,162)**	(197,760)
Fair value gains on investment properties	14	**49,855**	71,971
Fair value losses on financial assets at fair value through profit or loss		**(6,880)**	(4,039)
Finance Income		**515,645**	353,711
Finance costs	7	**(466,533)**	(433,466)
Share of profits and losses of:			
Joint ventures		**979,353**	(82,242)
Associates		**255,371**	717,545
PROFIT BEFORE TAX	6	**9,898,111**	4,438,476
Income tax expense	10	**(3,642,203)**	(1,912,189)
PROFIT FOR THE YEAR		**6,255,908**	2,526,287
Attributable to:			
Owners of the parent		**3,833,699**	1,931,336
Non-controlling interests		**2,422,209**	594,951
		6,255,908	2,526,287
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB1.17**	RMB0.65

Consolidated Statements of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**6,255,908**	2,526,287
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(12,565)**	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(12,565)**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(12,565)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,243,343**	2,526,287
Attributable to:		
Owners of the parent	**3,821,134**	1,931,336
Non-controlling interests	**2,422,209**	594,951
	6,243,343	2,526,287

Consolidated Statements of Financial Position

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**117,679**	105,269
Investment properties	14	**1,196,550**	928,900
Other Intangible assets	15	**8,128**	455
Right-of-use assets	16	**144,809**	—
Investments in joint ventures	17	**3,240,364**	2,584,059
Investments in associates	18	**6,749,631**	2,113,159
Deferred tax assets	19	**2,932,066**	1,852,380
Prepayments and other receivables	24	**—**	96,202
Total non-current assets		**14,389,227**	7,680,424
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	**290,723**	228,757
Properties under development	21	**128,779,890**	99,481,406
Completed properties held for sale	22	**4,140,691**	3,596,396
Trade receivables	23	**3,035**	4,354
Due from related companies	39	**9,446,200**	9,841,443
Prepayments and other receivables	24	**38,283,718**	22,209,895
Tax recoverable		**2,691,238**	1,951,577
Restricted cash	25	**10,194,619**	7,892,069
Pledged deposits	25	**1,344,886**	636,777
Cash and cash equivalents	25	**14,955,756**	14,551,518
Total current assets		**210,130,756**	160,394,192
CURRENT LIABILITIES			
Trade and bills payables	26	**12,060,536**	8,498,295
Other payables and accruals	27	**19,019,087**	20,476,168
Lease liabilities	16	**46,234**	—
Contract liabilities	28	**115,873,077**	95,482,250
Due to related companies	39	**11,985,635**	7,419,138
Interest-bearing bank and other borrowings	29	**20,125,313**	14,468,672
Tax payable	10	**3,406,783**	1,960,281
Provision for financial guarantee contracts	30	**31,364**	84,869
Senior notes	31	**1,378,045**	—
Other financial liabilities		**92,378**	59,284
Total current liabilities		**184,018,452**	148,448,957
NET CURRENT ASSETS		**26,112,304**	11,945,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,501,531**	19,625,659

Consolidated Statements of Financial Position

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**15,860,556**	12,536,245
Lease liabilities	16	**100,210**	—
Deferred tax liabilities	19	**851,884**	335,182
Senior notes	31	**2,817,326**	—
Total non-current liabilities		**19,629,976**	12,871,427
NET ASSETS		**20,871,555**	6,754,232
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**31,450**	85
Reserves	33	**8,696,650**	2,578,591
		8,728,100	2,578,676
Non-controlling interests		**12,143,455**	4,175,556
TOTAL EQUITY		**20,871,555**	6,754,232

Chen Hongliang
Director

Li Heli
Director

Consolidated Statements of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000 Note 32	Share premium RMB'000 Note 33(a)	Merger reserve RMB'000 Note 33(b)	Capital reserve RMB'000 Note 33(d)	Statutory surplus reserve RMB'000 Note 33(c)	Retained profits/ (Accumulated losses) RMB'000	Exchange fluctuation reserve RMB'000 Note 33(e)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	85	954,732	3,138	(145,332)	606,519	1,159,534	–	2,578,676	4,175,556	6,754,232
Profit for the year	–	–	–	–	–	3,833,699	–	3,833,699	2,422,209	6,255,908
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(12,565)	(12,565)	–	(12,565)
Total comprehensive income for the year	–	–	–	–	–	3,833,699	(12,565)	3,821,134	2,422,209	6,243,343
Issue of new shares	31,365	2,675,033	–	–	–	–	–	2,706,398	–	2,706,398
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	5,660,433	5,660,433
Disposal of equity interests in subsidiaries without losing control	–	–	–	74,685	–	–	–	74,685	(74,685)	–
Acquisition of non-controlling interests	–	–	–	41,494	–	–	–	41,494	(41,494)	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,436	1,436
Dividends and distributions	–	–	–	–	–	(494,287)	–	(494,287)	–	(494,287)
Appropriations to statutory surplus reserve	–	–	–	–	636,418	(636,418)	–	–	–	–
As at 31 December 2019	31,450	3,629,765*	3,138*	(29,153)*	1,242,937*	3,862,528*	(12,565)*	8,728,100	12,143,455	20,871,555
As at 1 January 2018	–	–	400,000	–	153,161	(318,444)	–	234,717	2,119,034	2,353,751
Profit or loss for the year	–	–	–	–	–	1,931,336	–	1,931,336	594,951	2,526,287
Total comprehensive income for the year	–	–	–	–	–	1,931,336	–	1,931,336	594,951	2,526,287
Issuance of new shares	85	954,732	–	–	–	–	–	954,817	–	954,817
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	21,755	–	–	–	21,755	1,222,547	1,244,302
Acquisition of non-controlling interests	–	–	–	(167,087)	–	–	–	(167,087)	167,087	–
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries	–	–	(396,862)	–	–	–	–	(396,862)	–	(396,862)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	71,937	71,937
Appropriations to statutory surplus reserve	–	–	–	–	453,358	(453,358)	–	–	–	–
As at 31 December 2018	85	954,732*	3,138*	(145,332)*	606,519*	1,159,534*	–	2,578,676	4,175,556	6,754,232

* These reserve accounts comprise the consolidated reserves of RMB8,696,650,000 (2018: RMB2,578,591,000) in the Consolidated Statement of financial position.

Consolidated Statements of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,898,111**	4,438,476
Adjustments for:			
Depreciation of items of property, plant and equipment	6,13	**35,665**	42,922
Amortisation of other intangible assets	6,15	**789**	259
Impairment losses recognised for properties under development	6,21	**223,637**	54,800
Impairment losses recognised for financial assets	24	**9,870**	10,964
Changes in provision for financial guarantee contracts	5	**(83,385)**	—
(Gain)/loss on disposal of subsidiaries		**(4,029)**	23,215
Gain on disposal of associates		**—**	(6,802)
Share of profits and losses of joint ventures		**(979,353)**	82,242
Share of profits and losses of associates		**(255,371)**	(717,545)
Changes in fair value of investment properties	14	**(49,855)**	(71,971)
Fair value losses on financial assets at fair value through profit or loss		**6,880**	4,039
Depreciation of right-of-use assets	16	**37,187**	—
Finance costs	7	**466,533**	433,466
Finance income		**(515,645)**	(353,711)
		8,791,034	3,940,354
Increase in properties under development and completed properties held for sale		**(28,384,130)**	(39,480,692)
Increase in prepayments and other receivables		**(18,080,580)**	(11,242,826)
Increase in restricted cash		**(2,302,550)**	(2,861,726)
(Increase)/decrease in pledged deposits		**(800,863)**	26,332
Decrease/(increase) in trade receivables		**1,319**	(4,354)
Increase in amounts due from related companies		**(1,189)**	—
Increase in trade and bills payables		**3,778,147**	3,878,183
Increase in other payables and accruals		**1,571,574**	15,181,510
Increase in contract liabilities		**21,811,674**	43,589,952
Increase in amounts due to related companies		**86,344**	—
Cash (used in)/generated from operations		**(13,529,220)**	13,026,733
Interest received		**458,429**	285,047
Interest paid		**(3,721,326)**	(2,395,482)
Tax paid		**(3,536,909)**	(2,879,352)
Net cash flows (used in)/generated from operating activities		**(20,329,026)**	8,036,946

Consolidated Statements of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	(49,107)	(48,227)
Purchases of other intangible assets	15	(8,462)	(144)
Acquisition of financial assets at fair value through profit or loss		(69,494)	(2,500)
Acquisition of subsidiaries	35	(19,432)	(405,681)
Disposal of financial assets at fair value through profit or loss		648	66,875
Investments in joint ventures and associates		(4,654,514)	(3,467,757)
Disposal of investments in subsidiaries		(320,910)	—
Disposal of investments in joint ventures and associates		—	101,318
Purchases of investment properties	14	(287,295)	(65,929)
Advances to related companies	39	(18,126,179)	(37,936,060)
Repayment of advances to related companies	39	18,522,611	30,251,462
Net cash flows used in investing activities		(5,012,134)	(11,506,643)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,815,502	954,817
Share issue expenses		(109,104)	—
Capital contribution from non-controlling shareholders of subsidiaries		5,660,433	1,244,302
Acquisition of subsidiaries by the Group from the equity holders of subsidiaries		—	(396,862)
Advances from related companies	39	15,310,099	18,675,887
Repayment of advances from related companies	39	(10,829,946)	(15,958,018)
Decrease in pledged deposits		92,754	42,849
Principal portion of lease payments	34	(35,552)	—
Dividends paid		(494,287)	—
Proceeds from issue of senior notes	31	4,095,975	—
Proceeds from interest-bearing bank and other borrowings		39,567,582	31,287,963
Repayment of interest-bearing bank and other borrowings		(30,322,630)	(28,577,745)
Net cash flows generated from financing activities		25,750,826	7,273,193
NET INCREASE IN CASH AND CASH EQUIVALENTS		409,666	3,803,496
Cash and cash equivalents at beginning of year		14,551,518	10,748,022
Effect of foreign exchange rate changes, net		(5,428)	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,955,756	14,551,518
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	26,495,261	23,080,364
Less: Restricted cash	25	10,194,619	7,892,069
Pledged deposits	25	1,344,886	636,777
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		14,955,756	14,551,518

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and management consulting services.

In the opinion of the directors, the immediate holding company of the Company is Liangzhong International Co., Ltd.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Zhongliang International Development Company Limited	British Virgin Islands	US$50	100.00%	Investment holding
Ample SINO Investments Limited	British Virgin Islands	US$50	100.00%	Investment holding
Indirectly held:				
Zhongliang Hong Kong Property Investment Group Co. Limited	Hong Kong	HK$50	100.00%	Investment holding
Heng Rong Co., Ltd.	Hong Kong	HK$10	100.00%	Investment holding
上海梁卓商務信息諮詢有限公司 Shanghai Liangzhuo Business Information Consulting Co., Ltd.	People's Republic of China ("PRC")/ Mainland China	RMB700,000	100.00%	Investment holding
上海中梁企業發展有限公司 Shanghai Zhongliang Enterprise Development Co., Ltd.	PRC/Mainland China	RMB3,330,000	100.00%	Investment holding
上海中梁地產集團有限公司 Shanghai Zhongliang Real Esrare Group Co. Ltd.	PRC/Mainland China	RMB10,000,000	100.00%	Property development
松陽縣中梁華董置業有限公司 (note 1) Songyang Zhongliang Huadong Property Co., Ltd.	PRC/Mainland China	RMB20,000	32.40%	Property development
鹽城市中梁御置業有限公司 Yancheng Zhongliangyu Property Co., Ltd.	PRC/Mainland China	RMB50,000	88.33%	Property development
張家港市中梁軒置業有限公司 Zhangjiagang Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	64.24%	Property development
宣城梁鴻置業有限公司 Xuancheng Lianghong Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
蕪湖梁宏置業有限公司 Wuhu Lianghong Property Co., Ltd.	PRC/Mainland China	RMB10,000	52.55%	Property development
蕪湖梁冠置業有限公司 Wuhu Liangguan Property Co., Ltd.	PRC/Mainland China	RMB50,000	64.69%	Property development
達州梁實置業有限公司 Dazhou Liangshi Property Co., Ltd.	PRC/Mainland China	RMB50,000	56.40%	Property development and property leasing
嘉興市梁楹置業有限公司 Jiaxing Liangying Property Co., Ltd.	PRC/Mainland China	RMB500,000	61.74%	Property development
景德鎮梁泰置業有限公司 Jingdezhen Liangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	91.00%	Property development
九江市中梁和置業有限公司 Jiujiang Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB20,000	52.34%	Property development
臨海市中梁信置業有限公司 Linhai Zhongliangxin Property Co., Ltd.	PRC/Mainland China	RMB10,000	87.24%	Property development
寧波石成置業有限公司 Ningbo Shicheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	56.40%	Property development
青田金梁置業有限公司 Qingtian Jinliang Property Co., Ltd.	PRC/Mainland China	RMB10,000	67.06%	Property development and property leasing
舟山市中梁宏置業有限公司 Zhoushan Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	57.83%	Property development
麗水市梁軒置業有限公司 Lishui Liangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	60.00%	Property development
溫州市中梁華成置業有限公司 Wenzhou Zhongliang Huacheng Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development
上海梁彤置業有限公司 Shanghai Liangtong Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development
上海慈晉置業有限公司 Shanghai Cijin Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
浙江梁城置業有限公司 Zhejiang Liangcheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Investment holding
樂清市中梁城置業有限公司 Yueqing Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	51.74%	Property development
雲和縣中梁城置業有限公司 Yunhe Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	59.17%	Property development
福建中梁翼房地產開發有限公司 Fujian Zhongliangyi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	60.00%	Property development
蒙城縣中梁銘築置業有限公司 Mengcheng Zhongliang Mingzhu Property Co., Ltd.	PRC/Mainland China	RMB50,000	74.00%	Property development
濉溪縣梁築置業有限公司 Suixi Liangzhu Property Co., Ltd.	PRC/Mainland China	RMB71,420	65.80%	Property development
南通市通州區梁宏置業有限公司 Nantong Tongzhou Lianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	62.01%	Property development
連雲港市聖承房地產開發有限公司 Lianyungang Shengcheng Real Estate Development Co., Ltd.	PRC/Mainland China	RMB70,000	59.13%	Property development
東台顧家置業有限公司 Dongtai Gujia Property Co., Ltd.	PRC/Mainland China	RMB50,000	81.96%	Property development and property leasing
靖江中梁紅置業有限公司 Jingjiang Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	61.04%	Property development
江陰宏揚置業有限公司 Jiangyin Hongyang Property Co., Ltd.	PRC/Mainland China	RMB50,000	63.17%	Property development
宜興市澄希置業有限公司 Yixing Chengxi Property Co., Ltd.	PRC/Mainland China	RMB50,000	53.20%	Property development
無錫錦華置業有限公司 Wuxi Jinhua Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.73%	Property development
泰州市華達置業有限公司 Taizhou Huada Property Co., Ltd.	PRC/Mainland China	RMB20,000	70.00%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
泰安志錦置業有限公司 (note 1) Taian Zhijin Property Co., Ltd.	PRC/Mainland China	RMB10,000	45.85%	Property development
江蘇銀梧房地產開發有限公司 (note 1) Jiangsu Yinwu Real Estate Development Co., Ltd.	PRC/Mainland China	RMB80,000	49.82%	Property development
贛州梁宏置業有限公司 Ganzhou Lianghong Property Co., Ltd.	PRC/Mainland China	RMB15,000	65.80%	Property development and property leasing
贛州梁盛置業有限公司 Ganzhou Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB15,000	61.44%	Property development
贛州梁寧置業有限公司 Ganzhou Liangning Property Co., Ltd.	PRC/Mainland China	RMB15,000	55.80%	Property development
贛州梁築置業有限公司 Ganzhou Liangzhu Property Co., Ltd.	PRC/Mainland China	RMB15,000	61.81%	Property development and property leasing
贛州梁源置業有限公司 Ganzhou Liangyuan Property Co., Ltd.	PRC/Mainland China	RMB4,500	61.01%	Property development
蕪湖梁盛置業有限公司 (note 1) Wuhu Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	47.06%	Property development
蕪湖嵐宇置業有限公司 Wuhu Lanyu Property Co., Ltd.	PRC/Mainland China	RMB50,000	94.00%	Property development
銅陵市梁冠置業有限責任公司 Tongling Liangguan Property Co., Ltd.	PRC/Mainland China	RMB50,000	61.05%	Property development
宣城梁生置業有限公司 Xuancheng Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	54.71%	Property development
宣城梁春置業有限公司 Xuancheng Liangchun Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development
安寧中梁城置業有限公司 Anning Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	95.80%	Property development
恩施市康城房地產開發有限公司 Enshi Kangcheng Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	65.80%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
長沙御融房地產開發有限公司 Changsha Yurong Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	51.00%	Property development and property leasing
桐鄉市梁達置業有限公司 Tongxiang Liangda Property Co., Ltd.	PRC/Mainland China	RMB50,000	91.33%	Property development
平湖市中梁瑞置業有限公司 Pinghu Zhongliangrui Property Co., Ltd.	PRC/Mainland China	RMB50,000	69.54%	Property development
開化縣中梁泰置業有限公司 Kaihua Zhongliangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	58.85%	Property development
興國縣中梁城置業有限公司 (note 1) Xingguo Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	47.01%	Property development
撫州市中梁軒置業有限公司 Fuzhou Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	51.73%	Property development
吉安市鑫瑞源房地產開發有限公司 Ji'an Xinruiyuan Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	51.00%	Property development
淄博中梁龍置業有限公司 Zibo Zhonglianglong Property Co., Ltd.	PRC/Mainland China	RMB10,000	54.54%	Property development
溫州市梁泰置業有限公司 Wenzhou Liangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	89.30%	Property development
諸暨市中梁置業有限公司 Zhuji Zhongliang Property Co., Ltd.	PRC/Mainland China	RMB150,000	92.94%	Property development
溫州市梁安置業有限公司 Wenzhou Liang'an Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development and property leasing
樂清市中梁慶置業有限公司 Yueqing Zhongliangqing Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.00%	Property development
樂清市中梁昊置業有限公司 Yueqing Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Property development
台州市中梁源置業有限公司 Taizhou Zhongliangyuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	93.61%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
台州市中梁龍置業有限公司 Taizhou Zhonglianglong Property Co., Ltd.	PRC/Mainland China	RMB50,000	97.00%	Property development
台州市中梁皓置業有限公司 Taizhou Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB10,000	75.80%	Property development
台州市中梁慶置業有限公司 Taizhou Zhongliangqing Property Co., Ltd.	PRC/Mainland China	RMB10,000	76.20%	Property development
台州市中梁軒置業有限公司 Taizhou Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB10,000	62.14%	Property development
溫嶺市中梁豪置業有限公司 Wenling Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB10,000	67.00%	Property development
溫嶺市中梁源置業有限公司 Wenling Zhongliangyuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.80%	Property development
永修縣中梁和置業有限公司 Yongxiu Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development
台州市黃岩梁泰置業有限公司 Taizhou Huangyan Liangtai Property Co., Ltd.	PRC/Mainland China	RMB20,000	87.24%	Property development
寧波市中梁宏置業有限公司 Ningbo Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	92.68%	Property development
余姚市中梁拓城置業有限公司 Yuyao Zhongliang Tuocheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	52.55%	Property development
余姚市中梁宏置業有限公司 Yuyao Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	97.90%	Property development
舟山市拓城置業有限公司 Zhoushan Tuocheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	57.08%	Property development
浙江黃氏房地產開發有限公司 Zhejiang Huangshi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	56.40%	Property development
杭州元茂置業有限公司 Hangzhou Yuanmao Property Co., Ltd.	PRC/Mainland China	RMB250,000	77.95%	Property development

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1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
蘭溪蘭悅置業有限公司 Lanxi Lanyue Property Co., Ltd.	PRC/Mainland China	RMB40,000	51.75%	Property development and property leasing
蒼南縣梁澤置業有限公司 Cangnan Liangze Property Co., Ltd.	PRC/Mainland China	RMB10,000	100.00%	Property development
瑞安市梁榮置業有限公司 Ruian Liangrong Property Co., Ltd.	PRC/Mainland China	RMB10,000	91.05%	Property development
湖州市中梁禦置業有限公司 Huzhou Zhongliangyu Property Co., Ltd.	PRC/Mainland China	RMB10,000	79.00%	Property development
上海天杜置業有限公司 Shanghai Tiandu Property Co., Ltd.	PRC/Mainland China	RMB10,000	100.00%	Property development
麗水市梁瑞置業有限公司 Lishui Liangrui Property Co., Ltd.	PRC/Mainland China	RMB20,000	70.00%	Property development
衢州市中梁創置業有限公司 Quzhou Zhongliangchuang Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Property development
寧國梁生置業有限公司 (note 1) Ningguo Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	38.51%	Property development
福建家景置業有限公司 (note 1) Fujian Jiajing Property Co., Ltd.	PRC/Mainland China	RMB110,000	46.84%	Property development
福建中梁房地產開發有限公司 Fujian Zhongliang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Investment holding
麗水市梁悅置業有限公司 Lishui Liangyue Property Co., Ltd.	PRC/Mainland China	RMB166,670	100.00%	Property development
上海佳梁實業發展有限公司 Shanghai Jlaliang Industrial Development Co., Ltd.	PRC/Mainland China	RMB50,000	51.00%	Property development
貴港中梁房地產開發有限公司 (note 1) Guigang Zhongliang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	49.00%	Property development
蒼南縣中梁和置業有限公司 Cangnan Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB10,000	94.86%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Note 1: 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 including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the companies registered in Mainland China referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available. The legal forms of all the above disclosed principal subsidiaries are limited liability companies.

The directors of the Group are of the view that there are no individually significant non-controlling interests in the partly-owned subsidiaries.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss ("FVTPL") and other financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Notes to Financial Statements

31 December 2019

2.1 BASIS OF PRESENTATION (Continued)

Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Notes to Financial Statements

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 had no impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effects of initial adoption as adjustments to the opening balance of right-of-use assets and lease liabilities at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of offices and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and lease with term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There are no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics

Financial Impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase RMB'000
Assets	
Increase in right-of-use assets	108,485
Increase in total assets	108,485
Liabilities	
Increase in lease liabilities	108,485
Increase in total liabilities	108,485

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial Impact at 1 January 2019 (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	144,292
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(7,376)
	136,916
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	108,485
Lease liabilities as at 1 January 2019	108,485

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group's assessment, the interpretation did not have any significant impact on the Group's financial position or performance of the Group.

Notes to Financial Statements

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Notes to Financial Statements

31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at the end of reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5.00%
Motor vehicles	20.00%
Office equipment and electronic devices	20.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of comprehensive income in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use assets which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use assets up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office properties	1 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor (Continued)

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if ,and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, senior notes, lease liabilities, amounts due to related companies, trade payables, other payables and other financial liabilities and financial guarantee contracts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the 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 each 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 financing component if it is significant.

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Property management services

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Management consulting services

Management consulting service income derived from the provision of support services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution pension scheme centrally operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The 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. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed to by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payment as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

Notes to Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Impairment of non-financial assets

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

Estimate of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

At 31 December 2019, the carrying amount of investment properties was RMB1,196,550,000 (2018: RMB928,900,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Notes to Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 19 to the financial statements.

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group's consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with similar nature of property development and leasing and management, nature of the aforementioned business processes, type or class of customers for the aforementioned businesses and methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**56,627,720**	30,210,258
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**11,876**	4,430
	56,639,596	30,214,688

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
Type of goods or services		
Sale of properties	**56,383,676**	29,992,092
Management consulting services	**244,044**	211,845
Property management services	**—**	6,321
Total revenue from contracts with customers	**56,627,720**	30,210,258
Timing of revenue recognition		
Sale of properties transferred at a point in time	**50,257,010**	24,389,691
Sale of properties transferred over time	**6,126,666**	5,602,401
Services transferred over time	**244,044**	218,166
Total revenue from contracts with customers	**56,627,720**	30,210,258

Notes to Financial Statements

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**46,536,075**	25,266,984
	46,536,075	25,266,984

(ii) Performance obligations

Information of the Group's performance obligations is summarised below:

Sales of Properties

For property sales contracts, the Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts.

Provision of services

For property management service and management consulting service contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the service contracts do not have a fixed term. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for both types of contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue		
Within one year	**77,074,694**	57,390,581
After one year	**74,877,113**	56,248,173
	151,951,807	113,638,754

Notes to Financial Statements

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of properties that are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019 RMB'000	2018 RMB'000
Other income and gains		
Gain on disposal of subsidiaries	**24,829**	47,684
Gain on disposal of associates	**—**	6,802
Changes in provision for financial guarantee contract	**83,385**	—
Forfeiture of deposits	**13,434**	14,814
Government grants	**22,170**	7,299
Foreign exchange differences, net	**74,642**	10,630
Others	**15,413**	7,816
	233,873	95,045

6. PROFIT BEFORE TAX

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

	Notes	**2019 RMB'000**	2018 RMB'000
Cost of properties sold	22	**43,179,125**	23,204,462
Impairment losses recognised for properties under development	21	**223,637**	54,800
Impairment losses written off for completed properties held for sale	22	**(57,872)**	(53,029)
Depreciation of property, plant and equipment	13	**35,665**	42,922
Depreciation of right-of-use assets	16(a)	**37,187**	—
Minimum lease payments under operating leases		**—**	65,368
Lease payments not included in the measurement of lease liabilities	16(c)	**15,724**	—
Amortisation of other intangible assets	15	**789**	259
Auditor's remuneration		**13,429**	12,825
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,387,929**	877,633
Pension scheme contributions and social welfare		**239,399**	141,577

Notes to Financial Statements

31 December 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans and other borrowings and senior notes	**3,784,677**	2,438,571
Interest expense arising from revenue contracts	**730,437**	588,965
Interest on lease liabilities	**6,509**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**4,521,623**	3,027,536
Less: Interest capitalised	**(4,005,090)**	(2,594,070)
	466,533	433,466

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	**555**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**30,644**	19,966
Performance-related bonuses*	**46,725**	8,774
Pension scheme contributions	**512**	326
	78,436	29,066

* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

Notes to Financial Statements

31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo were appointed as independent non-executive directors of the Company on 19 June 2019.

	2019 RMB'000	2018 RMB'000
Fees		
— Mr. Au Yeung Po Fung	185	—
— Mr. Wang Kaiguo	185	—
— Mr. Wu Xiaobo	185	—
	555	—

There was no other emolument payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors

Year ended 31 December 2019

Mr. Yang Jian, Mr. Huang Chunlei, Mr. Xu Liangqiong, Mr. Ling Xinyu, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 29 March 2018, 29 March 2018, 29 March 2018, 28 September 2018, 23 December 2019, 23 December 2019 and 23 December 2019, respectively. In the meantime, Mr. Xu Liangqiong and Mr. Ling Xinyu were relieved as executive directors of the Company on 23 December 2019.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Yang Jian	—	7,733	14,359	116	22,208
— Mr. Huang Chunlei	—	8,851	3,600	100	12,551
— Mr. Xu Liangqiong	—	3,823	9,666	63	13,552
— Mr. Ling Xinyu	—	942	800	70	1,812
— Mr. Chen Hongliang*	—	2,173	1,480	70	3,723
— Mr. Li Heli*	—	2,159	1,750	63	3,972
— Mr. Yau Sze Ka (Albert)*	—	4,963	15,070	30	20,063
	—	30,644	46,725	512	77,881

* Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 23 December 2019.

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31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors (Continued)

Year ended 31 December 2018

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Yang Jian	—	7,307	3,248	96	10,651
— Mr. Huang Chunlei	—	8,200	3,525	67	11,792
— Mr. Xu Liangqiong	—	3,581	1,666	96	5,343
— Mr. Ling Xinyu	—	878	335	67	1,280
	—	19,966	8,774	326	29,066

Mr. Huang Chunlei is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2018: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2019 and 2018 of the five highest paid employees of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**27,529**	22,984
Performance related bonuses	**44,446**	10,084
Pension scheme contributions	**372**	420
	72,347	33,488

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31 December 2019

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the non-director and non-chief executive highest paid employee within the following band is as follows:

	Number of employees	
	2019	2018
HK$3,000,001 to HK$3,500,000	**—**	2
HK$15,000,000 to HK$15,500,000	**1**	—
	1	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the reporting period.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Corporate income tax	**2,995,985**	1,625,595
PRC LAT	**1,226,541**	1,183,637
Deferred tax (note 19)	**(580,323)**	(897,043)
Total tax charge for the year	**3,642,203**	1,912,189

Notes to Financial Statements

31 December 2019

10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	9,898,111	4,438,476
At the statutory income tax rate	2,474,528	1,109,619
Profits and losses attributable to joint ventures and associates	(308,681)	(158,825)
Expenses not deductible for tax	73,269	45,182
Tax losses utilised from previous years	(36,798)	(58,217)
Tax losses not recognised	290,921	72,231
Deductible temporary differences not recognised	229,058	14,471
Provision for LAT	1,226,541	1,183,637
Tax effect on LAT	(306,635)	(295,909)
Tax charge at the Group's effective rate	3,642,203	1,912,189

The share of tax charge attributable to joint ventures and associates amounted to RMB640,862,000 for the year ended 31 December 2019 (2018: RMB330,461,000). The share of tax credit attributable to joint ventures and associates amounted to RMB229,287,000 for the year ended 31 December 2019 (2018: RMB118,693,000), respectively. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

Tax payable in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
Tax payable		
PRC CIT payable	2,062,172	996,045
PRC LAT payable	1,344,611	964,236
Total tax payable	3,406,783	1,960,281

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11. DIVIDENDS

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

	2019 RMB'000	2018 RMB'000
Interim — HK$15.3 cents (2018: Nil) per ordinary share	494,287	—
Proposed final — HK$$32.8 cents (2018: Nil) per ordinary share	1,067,374	—
	1,561,661	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,266,539,544 (2018: 2,993,993,654) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2019 and 2018 was based on 1 ordinary share of the Company issued as at 22 March 2018, 2 ordinary shares of the Company issued as at 29 March 2018, 97 ordinary shares of the Company issued as at 22 June 2018, 9,599,900 ordinary shares of the Company issued as at 15 August 2018, 94,675 ordinary shares of the Company issued as at 29 August 2018, and 2,990,305,325 ordinary shares of the Company issued under the capitalisation issue occurred on 16 July 2019, as if these additional shares issued under the capitalisation issue had been in issue throughout the years ended 31 December 2019 and 2018. On 16 July 2019, the Company issued 530,000,000 new ordinary shares. On 5 August 2019, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional Shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

The calculation of the basic earnings per share amounts is based on:

	2019	2018
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,833,699**	1,931,336

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**3,266,539,544**	2,993,993,654
Earnings per share		
Basic	**RMB1.17**	RMB0.65

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31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,797	15,632	105,269
At 1 January 2019, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
Additions	17,295	4,508	19,232	8,072	49,107
Disposal of subsidiaries (note 36)	—	(336)	(210)	(486)	(1,032)
Depreciation provided during the year (note 6)	(2,529)	(5,873)	(12,876)	(14,387)	(35,665)
At 31 December 2019, net of accumulated depreciation	48,624	16,281	43,943	8,831	117,679
At 31 December 2019:					
Cost	55,284	35,018	73,500	42,402	206,204
Accumulated depreciation	(6,660)	(18,737)	(29,557)	(33,571)	(88,525)
Net carrying amount	48,624	16,281	43,943	8,831	117,679

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	—	35,126	29,228	33,729	98,083
Accumulated depreciation	—	(16,593)	(7,212)	(24,279)	(48,084)
Net carrying amount	—	18,533	22,016	9,450	49,999
At 1 January 2018, net of accumulated depreciation	—	18,533	22,016	9,450	49,999
Additions	163	10,243	20,893	16,928	48,227
Acquisition of subsidiaries	37,794	250	1,466	12,875	52,385
Disposal of subsidiaries (note 36)	—	(1,335)	(1,085)	—	(2,420)
Depreciation provided during the year (note 6)	(4,099)	(9,709)	(5,493)	(23,621)	(42,922)
At 31 December 2018, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
At 31 December 2018:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,797	15,632	105,269

As at 31 December 2019, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB31,232,000 (2018: RMB33,755,000).

Notes to Financial Statements

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14. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2018	450,000	341,000	791,000
Additions	—	65,929	65,929
Transfer	15,600	(15,600)	—
Net gain from a fair value adjustment	3,400	68,571	71,971
Carrying amount at 31 December 2018 and 1 January 2019	**469,000**	**459,900**	**928,900**
Additions	**—**	**287,295**	**287,295**
Transfer	**257,250**	**(257,250)**	**—**
Disposal of a subsidiary (note 36)	**(69,500)**	**—**	**(69,500)**
Net gain from a fair value adjustment	**2,805**	**47,050**	**49,855**
Carrying amount at 31 December 2019	**659,555**	**536,995**	**1,196,550**

As at 31 December 2019, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB351,000,000 (2018: RMB349,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

The Group's investment properties are located in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB1,196,550,000 (2018: RMB928,900,000). The Group's senior finance manager and the group financial controller decides, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the group financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties				
Completed	—	—	659,655	659,655
Under construction	—	—	536,995	536,995
	—	—	1,196,550	1,196,550

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties				
Completed	—	—	469,000	469,000
Under construction	—	—	459,900	459,900
	—	—	928,900	928,900

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average 31 December 2019	2018
Completed commercial properties	Income approach	Estimated rental value (per square metre and per month)	**RMB 30.2–153.0**	RMB33.5–130.8
		Capitalisation rate	**4.5%-6.0%**	4.5%–5.5%
		Long term vacancy rate	**5.0%–10.0%**	5.0%–8.0%
Commercial properties under construction	Comparison method	Expected profit margin	**8.0%–12.0%**	12.0%–15.0%

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant;

- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

A higher expected profit margin would result in a lower fair value of the investment properties under construction.

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15. OTHER INTANGIBLE ASSETS

	2019 RMB'000	2018 RMB'000
Software		
At the beginning of the year:		
Cost	984	840
Accumulated amortisation	(529)	(270)
Net carrying amount	455	570
Carrying amount at the beginning of the year:	455	570
Additions	8,462	144
Amortisation provided during the year (note 6)	(789)	(259)
Carrying amount at the end of the year:	8,128	455
At the end of the year:		
Cost	9,446	984
Accumulated amortisation	(1,318)	(529)
Net carrying amount	8,128	455

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of office properties and office equipments used in its operations. Leases of office properties generally have lease terms between one and six years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office properties RMB'000
As at 1 January 2019	108,485
Additions	73,511
Depreciation charge	(37,187)
As at 31 December 2019	144,809

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16. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2019 RMB'000
Carrying amount at 1 January	108,485
New leases	73,511
Accretion of interest recognised during the year	6,509
Payments	(42,061)
Carrying amount at 31 December	146,444
Analysed into:	
Current portion	46,234
Non-current portion	100,210

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

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

	2019 RMB'000
Interest on lease liabilities	6,509
Depreciation charge of right-of-use assets	37,187
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	15,724
Expense relating to leases of low-value assets (included in administrative expenses)	–
Total amount recognised in profit or loss	59,420

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(c) and 38, respectively, to the financial statements.

Notes to Financial Statements

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16. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of three commercial properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB11,876,000 (2018: RMB4,430,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB'000	RMB'000
Within one year	**10,457**	9,760
After one year but within two years	**10,993**	10,457
After two years but within three years	**11,533**	10,993
After three years but within four years	**11,615**	11,533
After four years but within five years	**11,655**	11,615
After five years	**164,090**	175,746
	220,343	230,104

17. INVESTMENTS IN JOINT VENTURES

	2019	2018
	RMB'000	RMB'000
Share of net assets	**3,172,595**	2,530,184
Financial guarantees provided to joint ventures	**67,769**	53,875
	3,240,364	2,584,059

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures. Details are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivables and payables with joint ventures are disclosed in note 39 to the financial statements.

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(a) Particulars of the Group's material joint ventures

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
揚州駿安置業有限公司 Yangzhou Jun'an Property Co., Ltd.	Yangzhou, PRC 2017	50,000	49.00%	Property development
溫州市梁旭置業有限公司(Note) Wenzhou Liangxu Property Co., Ltd.	Wenzhou, PRC 2016	200,000	60.00%	Property development
衢州融晟置業有限公司 Quzhou Rongsheng Property Co., Ltd.	Quzhou, PRC 2017	847,500	35.00%	Property development
上海佳贏置業有限公司 Shanghai Jiaying Property Co., Ltd.	Shanghai, PRC 2016	50,000	37.00%	Investment holding

Note: Pursuant to the investment framework agreement and the articles of association of the company, all shareholder resolutions of the entity shall be resolved by all shareholders on a unanimous basis. Therefore, the entity was accounted for as a joint venture of the Group for the year ended 31 December 2019.

(b) Yangzhou Junan Real Estate Development Co., Ltd. ("Yangzhou Junan") and Wenzhou Liangxu Real Estate Development Co., Ltd. ("Wenzhou Liangxu"), which were considered material joint ventures of the Group during the year ended 31 December 2019, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

Quzhou Rongsheng Property Co., Ltd. ("Quzhou Rongsheng") and Shanghai Jiaying Property Co., Ltd. ("Shanghai Jiaying"), which were considered material joint ventures of the Group during year ended 31 December 2018, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yangzhou Junan, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	17,928
Other current assets	758,361
Current assets	776,289
Non-current assets	388
Financial liabilities, excluding trade and other payables	–
Other current liabilities	(488,252)
Current liabilities	(488,252)
Net assets	288,425
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	141,328
Adjustment for unrealised profits and losses from related party transactions	(383)
Carrying amount of the investment	140,945
Revenue	1,615,965
Expense	(1,173,203)
Tax	(133,628)
Profit for the year	309,134
Total comprehensive income for the year	309,134

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Liangxu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	587,978
Other current assets	462,410
Current assets	1,050,388
Non-current assets	453
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(685,554)
Current liabilities	(685,554)
Net assets	365,287
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	60%
Group's share of net assets of the joint venture	219,172
Adjustment for unrealised profits and losses from related party transactions	(2,860)
Carrying amount of the investment	216,312
Revenue	2,978,647
Expense	(2,080,740)
Tax	(296,486)
Profit for the year	601,421
Total comprehensive income for the year	601,421

Notes to Financial Statements

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Quzhou Rongsheng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	501,530
Other current assets	3,897,575
Current assets	4,399,105
Non-current assets	535
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(2,938,648)
Current liabilities	(2,938,648)
Non-current financial liabilities, excluding trade and other payables and provisions	(700,000)
Net assets	760,992
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	35%
Group's share of net assets of the joint venture	266,347
Adjustment for unrealised profits and losses from related party transactions	(1,155)
Carrying amount of the investment	265,192
Revenue	1,005
Expenses	(61,475)
Tax	—
Loss for the year	(60,470)
Total comprehensive loss for the year	(60,470)

Notes to Financial Statements

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Shanghai Jiaying, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	9,688
Other current assets	340,709
Current assets	350,397
Non-current assets	372
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(153,647)
Current liabilities	(153,647)
Net assets	197,122
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	37.38%
Group's share of net assets of the joint venture	73,684
Adjustment for unrealised profits and losses from related party transactions	(1,187)
Carrying amount of the investment	72,497
Revenue	962,021
Expense	(648,711)
Tax	(82,301)
Profit for the year	231,009
Total comprehensive income for the year	231,009

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17. INVESTMENTS IN JOINT VENTURES (Continued)

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

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profits and losses for the year	**467,025**	(159,341)
Share of the joint ventures' total comprehensive income	**467,025**	(159,341)
Adjustment for unrealised profits and losses for related party transactions	**(26,346)**	(24,240)
Aggregate carrying amount of the Group's investments in the joint ventures	**2,883,107**	2,246,370

The joint ventures have been accounted for using the equity method.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2019 (2018: Nil).

18. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**6,702,651**	2,082,165
Financial guarantees provided to associates	**46,980**	30,994
	6,749,631	2,113,159

The Group has guaranteed certain of the bank and other borrowings made to its associates. Details are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivables and payables with associates are disclosed in note 39 to the financial statements.

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18. INVESTMENTS IN ASSOCIATES (Continued)

(a) Particulars of the Group's material associates

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
杭州濱通房地產開發有限公司 Hangzhou Bintong Real Estate Development Co., Ltd.	Hangzhou, PRC 2016	5,000	25.00%	Property development
義烏吾悦房地產發展有限公司* Yiwu Wuyue Real Estate Development Co., Ltd.	Yiwu, PRC 2015	19,608	49.00%	Property development and property leasing
溫州萬昱置業有限公司 Wenzhou Wanyu Property Co., Ltd.	Wenzhou, PRC 2015	300,000	30.00%	Property development
溫州新都置業有限公司 Wenzhou Xindu Property Co., Ltd.	Wenzhou, PRC 2015	150,000	24.50%	Property development

* Before 10 October 2018, Yiwu Wuyue was accounted for as a joint venture of the Group. As a result of the amendment to the articles of the association, on October 2018, the Group only has significant influence over Yiwu Wuyue as other shareholder of the entity has enough voting power to control and operate the entity. Thus, Yiwu Wuyue was accounted for as an associate of the Group from 10 October 2018.

(b) Hangzhou Bintong Real Estate Development Co., Ltd. ("Hangzhou Bintong") and Yiwu Wuyue Real Estate Development Co., Ltd. ("Yiwu Wuyue"), which were considered material associates of the Group during the year ended 31 December 2019, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

Yiwu Wuyue Real Estate Development Co., Ltd., Wenzhou Wanyu Property Co., Ltd. ("Wenzhou Wanyu") and Wenzhou Xindu Property Co., Ltd. ("Wenzhou Xindu"), which were considered material associates of the Group during the year ended 31 December 2018, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Hangzhou Bintong, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	183,538
Other current assets	387,627
Current assets	571,165
Non-current assets	943
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(206,559)
Current liabilities	(206,559)
Net assets	365,549
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	25%
Group's share of net assets of the associate	91,387
Adjustment for unrealised profits and losses from related party transactions	—
Carrying amount of the investment	91,387
Revenue	1,067,294
Expense	(625,069)
Tax	(71,580)
Profit for the year	370,645
Total comprehensive income for the year	370,645

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	168,000
Other current assets	1,759,472
Current assets	1,927,472
Non-current assets	1,246,122
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(688,711)
Current liabilities	(688,711)
Net assets	2,484,883
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate	1,217,593
Adjustment for unrealised profits and losses from related party transactions	(408)
Carrying amount of the investment	1,217,185
Revenue	257,403
Expense	(131,717)
Fair value gains on investment properties	116,146
Tax	(49,902)
Profit for the year	191,930
Total comprehensive income for the year	191,930

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	133,031
Other current assets	2,460,563
Current assets	2,593,594
Non-current assets	1,140,365
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(1,386,751)
Current liabilities	(1,386,751)
Other non-current liabilities	(71,699)
Net assets	2,275,509
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	1,114,999
Adjustment for unrealised profits and losses from related party transactions	(6,101)
Carrying amount of the investment	1,108,898
Revenue	3,674,615
Expense	(2,014,995)
Fair value gains on investment properties	57,912
Tax	(491,091)
Profit for the year	1,226,441
Total comprehensive income for the year	1,226,441

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Wanyu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	241,252
Other current assets	662,708
Current assets	903,960
Non-current assets	260
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(193,998)
Current liabilities	(193,998)
Net assets	710,222
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	30%
Group's share of net assets of the associate	213,067
Adjustment for unrealised profits and losses from related party transactions	(1,921)
Carrying amount of the investment	211,146
Revenue	2,556,401
Expenses	(1,965,534)
Tax	(147,885)
Profit for the year	442,982
Total comprehensive income for the year	442,982

18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Xindu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	57,895
Other current assets	254,467
Current assets	312,362
Non-current assets	45
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(46,692)
Current liabilities	(46,692)
Net assets	265,715
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	24.5%
Group's share of net assets of the associate	65,100
Adjustment for unrealised profits and losses from related party transactions	—
Carrying amount of the investment	65,100
Revenue	676,651
Expenses	(505,803)
Tax	(41,984)
Profit for the year	128,864
Total comprehensive income for the year	128,864

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18. INVESTMENTS IN ASSOCIATES (Continued)

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

	2019 RMB'000	2018 RMB'000
Share of the associates' profits and losses for the year	68,664	(35,974)
Share of the associates' total comprehensive income	68,664	(35,974)
Adjustment for unrealised profits and losses for related party transactions	(13,662)	(6,938)
Aggregate carrying amount of the Group's investments in the associates	5,441,059	728,015

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

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2019 (2018: Nil).

19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Lease liability RMB'000	Losses available for offsetting against future taxable profits RMB'000	Expenses for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Unrealised revenue in contract liabilities RMB'000	Accrued LAT RMB'000	Total RMB'000
At 1 January 2018	–	95,846	65,360	8,649	1,195,927	93,838	1,459,620
Deferred tax credited/(charged) to profit or loss during the year (note 10)	–	436,837	(22,340)	8,504	562,580	125,426	1,111,007
Gross deferred tax assets at 31 December 2018	–	532,683	43,020	17,153	1,758,507	219,264	2,570,627
Effect of adoption of IFRS 16	27,121	–	–	–	–	–	27,121
At 1 January 2019 (restated)	27,121	532,683	43,020	17,153	1,758,507	219,264	2,597,748
Disposal of subsidiaries (note 36)	–	–	–	–	(24,418)	–	(24,418)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	9,490	(441,882)	25,715	(4,671)	827,269	25,758	441,679
Gross deferred tax assets at 31 December 2019	36,611	90,801	68,735	12,482	2,561,358	245,022	3,015,009

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19. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax liabilities

	Changes in provision for financial guarantee contracts RMB'000	Right-of-use assets RMB'000	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from business combinations RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
At 1 January 2018	–	–	3,137	68,397	259,906	407,184	738,624
Acquisition of subsidiaries	–	–	–	–	100,841	–	100,841
Deferred tax (credited)/charged to profit or loss during the year (note 10)	–	–	(1,010)	17,993	(88,373)	285,354	213,964
Gross deferred tax liabilities at 31 December 2018	–	–	2,127	86,390	272,374	692,538	1,053,429
Effect of adoption of IFRS 16	–	27,121	–	–	–	–	27,121
At 1 January 2019 (restated)	**–**	**27,121**	**2,127**	**86,390**	**272,374**	**692,538**	**1,080,550**
Acquisition of subsidiaries (note 35)	**–**	**–**	**–**	**–**	**2,327**	**–**	**2,327**
Disposal of subsidiaries (note 36)	**–**	**–**	**–**	**(9,406)**	**–**	**–**	**(9,406)**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**20,846**	**9,081**	**(1,720)**	**12,464**	**(15,512)**	**(163,803)**	**(138,644)**
Gross deferred tax liabilities at 31 December 2019	**20,846**	**36,202**	**407**	**89,448**	**259,189**	**528,735**	**934,827**

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

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	**2,932,066**	1,852,380
Net deferred tax liabilities recognised in the consolidated statements of financial position	**(851,884)**	(335,182)
Net deferred tax assets in respect of continuing operations	**2,080,182**	1,517,198

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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19. DEFERRED TAX (Continued)

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

	2019 RMB'000	2018 RMB'000
Tax losses	438,898	184,775
Deductible temporary differences	269,868	40,810
	708,766	225,585

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB484,802,000 (2018: RMB177,817,000).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	77,147	—
Other unlisted investments, at fair value	213,576	228,757
At the end of the year	290,723	228,757

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Notes to Financial Statements

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21. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**99,481,406**	61,379,980
Additions	**74,925,376**	64,690,259
Acquisition of subsidiaries (note 35)	**198,398**	1,026,716
Disposal of subsidiaries (note 36)	**(1,936,105)**	(3,115,570)
Transferred to completed properties held for sale (note 22)	**(43,720,348)**	(24,469,168)
Impairment losses recognised (note 6)	**(223,637)**	(54,800)
Impairment losses transferred to completed properties held for sale (note 22)	**54,800**	23,989
At the end of the year	**128,779,890**	99,481,406

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

As at 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB58,951,830,000 (2018: RMB43,299,210,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

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

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**(54,800)**	(23,989)
Impairment losses recognised (note 6)	**(223,637)**	(54,800)
Impairment losses transferred to completed properties held for sale (note 22)	**54,800**	23,989
At the end of the year	**(223,637)**	(54,800)

The value of properties under development was assessed at the end of reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing, less applicable variable selling expenses and anticipated costs at completion, at the end of the reporting period.

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22. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount at the beginning of the year	3,596,396	2,302,650
Transferred from properties under development (note 21)	43,720,348	24,469,168
Transferred to cost of properties sold (note 6)	(43,179,125)	(23,204,462)
Impairment losses written off (note 6)	57,872	53,029
Impairment losses transferred from properties under development (note 21)	(54,800)	(23,989)
Carrying amount at the end of the year	4,140,691	3,596,396

The movements in provision for impairment of completed properties held for sale are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	(3,072)	(32,112)
Impairment losses written off	57,872	53,029
Impairment losses transferred from properties under development (note 21)	(54,800)	(23,989)
At the end of the year	–	(3,072)

The value of completed properties held for sale was assessed at the end of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on prevailing market price less applicable selling expenses.

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23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	3,035	4,354
Impairment	—	—
	3,035	4,354

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Less than 1 year	3,035	4,354
Over 1 year	—	—
	3,035	4,354

Receivables that were not past due relate to a large number of diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, there has not been a loss allowance provision.

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24. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepaid tax and other tax recoverable	6,524,263	4,831,011
Deposits related to third parties' land use rights	1,545,369	1,061,478
Deposits for land auction	3,012,230	1,310,696
Other deposits	4,125,878	3,110,325
Progress prepayments for acquisition of land use rights	1,335,006	370,952
Prepayments for construction cost	396,546	214,589
Prepayments for investments in joint ventures and associates	—	96,202
Receivables from disposal of subsidiaries, joint ventures and associates	—	85,000
Due from non-controlling shareholders of subsidiaries	19,434,349	10,511,110
Other receivables	1,933,570	728,357
	38,307,211	22,319,720
Less: Impairment	23,493	13,623
Less: Portion classified as current assets	38,283,718	22,209,895
Non-current portion	—	96,202

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	13,623	2,659
Impairment losses recognised	9,870	10,964
At the end of the year	23,493	13,623

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and other deposits were regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB23,493,000 as at 31 December 2019 (2018: RMB13,623,000).

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25. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**26,495,261**	23,080,364
Less: Restricted cash	**10,194,619**	7,892,069
Pledged deposits	**1,344,886**	636,777
Cash and cash equivalents	**14,955,756**	14,551,518
Denominated in RMB	**14,506,628**	14,551,510
Denominated in HK$	**27,453**	8
Denominated in US$	**421,675**	—
	14,955,756	14,551,518

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2019, such restricted cash amounted to RMB10,194,619,000 (2018: RMB7,892,069,000).

As at 31 December 2019, certain of the Group's restricted cash with an aggregate carrying amount of approximately RMB692,007,899 (2018: Nil) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2019, certain of the Group's pledged deposits with an aggregate carrying amount of approximately RMB44,757,125 (2018: RMB21,500,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2019, bank deposits of RMB1,302,011,000 (2018: RMB615,277,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2019, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents were regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

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26. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Less than 1 year	**11,706,261**	8,421,930
Over 1 year	**354,275**	76,365
	12,060,536	8,498,295

Trade and bills payables are unsecured, interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

27. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Due to non-controlling shareholders of subsidiaries	**13,290,815**	14,711,981
Advances from third parties related to land auction	**2,183,573**	2,384,679
Retention deposits related to construction	**1,303,991**	1,006,885
Deposits related to sales of properties	**428,322**	576,755
Business tax and surcharges	**389,532**	369,625
Payroll and welfare payable	**581,642**	675,027
Interest payable	**151,836**	160,719
Others	**689,376**	590,497
	19,019,087	20,476,168

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

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28. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2019 RMB'000	2018 RMB'000
Contract liabilities	115,873,077	95,482,250

The Group receives payments from customers based on billing schedules as established in the property sales contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	5.87–9.00	2020	2,193,310	4.57–14.40	2019	490,000
Bank loans — unsecured			—	9.00–12.50	2019	232,000
Other loans — secured	5.00–15.00	2020	10,378,095	9.00–14.00	2019	5,854,621
Other loans — unsecured	5.63–16.03	2020	890,550	6.53–18.00	2019	673,201
Current portion of long term bank loans — secured	5.50–9.50	2020	4,786,982	5.25–9.80	2019	4,593,900
Current portion of long term other loans — secured	6.89–14.50	2020	1,876,376	6.15–12.50	2019	2,624,950
			20,125,313			14,468,672
Non-current						
Bank loans — secured	3.50-9.50	2021-22	11,991,707	4.51–9.80	2020–21	5,211,318
Bank loans — unsecured	4.75	2021	1,150,000	9.45	2021	820,000
Other loans — secured	4.75–13.00	2021-22	2,718,849	6.89–14.00	2020–21	4,844,927
Other loans — unsecured			—	13.50–14.50	2020	1,660,000
			15,860,556			12,536,245
			35,985,869			27,004,917

Notes to Financial Statements

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**6,980,292**	5,315,900
In the second year	**11,251,174**	3,979,318
In the third to fifth years, inclusive	**1,890,533**	2,052,000
	20,121,999	11,347,218
Other borrowings repayable:		
Within one year or on demand	**13,145,021**	9,152,772
In the second year	**2,718,849**	6,104,927
In the third to fifth years, inclusive	**—**	400,000
	15,863,870	15,657,699
	35,985,869	27,004,917

The Group's borrowings are all denominated in RMB.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting period as follows:

	Notes	2019 RMB'000	2018 RMB'000
Properties under development	21	**58,951,830**	43,299,210
Investment properties	14	**351,000**	349,000
Restricted Cash	25	**692,008**	—
Pledged deposits	25	**44,757**	21,500

Management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

i. The Group's bank and other borrowings were guaranteed by its related parties (note 39(4)).

ii. Certain of the bank and other borrowings of up to RMB4,241,440,000 was guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2019 (2018: RMB3,504,969,000).

Notes to Financial Statements

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30. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	2019 RMB'000	2018 RMB'000
At the beginning of the year	84,869	—
Fair value changes	(83,385)	—
Additions	29,880	84,869
At the end of the year	31,364	84,869

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 39.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2019, an ECL allowance of RMB31,364,000 was provided as a result of guarantees provided to the joint ventures and associates (2018: RMB84,869,000).

31. SENIOR NOTES

	2019				2018			
	Principal at original currency US$'000	Contractual interest rate (%)	Maturity	RMB'000	Principal at original currency US$'000	Contractual interest rate (%)	Maturity	RMB'000
Senior notes due 2020 I ("2020 Notes")	200,000	9.75	2020	1,378,045				—
Senior notes due 2021 I ("September 2021 Notes I")	300,000	11.50	2021	2,107,742				—
Senior notes due 2021 II ("September 2021 Notes II")	100,000	11.50	2021	709,584				—
				4,195,371				—
Less: Current portion				1,378,045				—
Non-current portion				2,817,326				—

Notes to Financial Statements

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31. SENIOR NOTES (Continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
The Group's senior notes were repayable as follows:		
Repayable within one year	1,378,045	—
Repayable in the second year	2,817,326	—
Repayable in the third to fifth years	—	—
Total	4,195,371	—

2020 Notes

On 26 November 2019, the Company issued 2020 Notes at a coupon rate of 9.75% due within 2020 with an aggregate principal amount of US$200,000,000. The Company raised net proceeds of US$195,602,824 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 24 November 2020, the Company may at its option redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 24 November 2020, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the 2020 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 109.75% of the principal amount of the 2020 Notes redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions;

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

September 2021 Notes I & II

On 26 September 2019, the Company issued September 2021 Notes I at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US$300,000,000. The Company raised net proceeds of US$292,791,737 (after deduction of underwriting discounts and commissions and other expenses).

On 10 October 2019, the Company issued September 2021 Notes II at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US$100,000,000. The Company raised net proceeds of US$98,741,127 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 26 November 2021, the Company may at its option redeem the September 2021 Notes I & II, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes I & II redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

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31. SENIOR NOTES (Continued)

September 2021 Notes I & II (Continued)

At any time prior to 26 September 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the September 2021 Notes I & II with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 111.50% of the principal amount of the September 2021 Notes I & II redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the September 2021 Notes I&II at a redemption price equal to 100% of the principal amount of the September 2021 Notes I & II, plus any accrued and unpaid interest, subject to certain exceptions.

The 2020 Notes and the September 2021 Notes I & II were guaranteed by certain of the Group's existing subsidiaries.

The fair values of the early redemption options of the 2020 Notes and the September 2021 Notes I & II were not significant and therefore were not recognised by the Group on inception and at 31 December 2019.

32. SHARE CAPITAL

Shares

	31 December 2019 HK$	31 December 2018 HK$
Issued and fully paid:		
3,581,791,500 (2018:9,694,675) ordinary shares of HK$0.01 each (2018: HK$0.01 each)	**35,817,915**	96,947

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2018	—	—
Issuance of new shares	9,694,675	85
At 31 December 2018 and 1 January 2019	9,694,675	85
Issuance of ordinary shares	530,000,000	4,653
Issuance of ordinary shares on capitalisation	2,990,305,325	26,249
Issuance of ordinary shares on an over-allotment option	51,791,500	463
At 31 December 2019	3,581,791,500	31,450

Notes to Financial Statements

31 December 2019

32. SHARE CAPITAL (Continued)

Shares (Continued)

The Company was incorporated in the Cayman Islands on 22 March 2018 with authorised share capital of RMB380,000 divided into 38,000,000 shares of RMB0.01 at par value each. On the date of incorporation, 1 ordinary share of RMB0.01 was allotted by the Company to a subscriber, and was transferred to Liangzhong International Co., Ltd., a company controlled by Mr. Yang Jian, on 29 March 2018.

On 29 March 2018, 1 ordinary share of RMB0.01 was allotted and issued by the Company for cash to each of Liangyi International Co., Ltd. and Liangtai International Co., Ltd.

On 22 June 2018, 94 ordinary shares, 2 ordinary shares and 1 ordinary share were allotted and issued by the Company to Liangzhong International Co., Ltd., Liangyi International Co., Ltd., and Liangtai International Co., Ltd., respectively.

On 15 August 2018, 9,119,905 shares, 287,997 shares and 191,998 shares, which were all fully paid up at an aggregate consideration of US$140,265,600, were allotted and issued to Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd., respectively.

On 29 August 2018, 94,675 shares were allotted and issued to Abundant Talent Global Co., Ltd., and the issued share capital of the Company was RMB96,946.75.

On 16 July 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 530,000,000 new ordinary shares with par value HK$0.01 each at HK$5.55 per share for a total cash consideration of HK$2,915,000,000 (equivalent to approximately RMB2,558,787,000). The corresponding share capital amount was approximately RMB4,653,000 and share premium arising from the issuance was approximately RMB2,453,777,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB100,357,000 were treated as a deduction against the share premium arising from the issuance.

On 16 July 2019, 2,990,305,325 shares were issued by way of capitalisation with a par value HK$0.01 each, the corresponding share capital amount was approximately RMB26,249,000.

On 5 August 2019, upon its listing on the Hong Kong Stock Exchange, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional shares at HK$5.55 per share for a total cash consideration of HK$287,443,000 (equivalent to approximately RMB256,715,000). The corresponding share capital amount was approximately RMB462,550 and share premium arising from the issuance was approximately RMB247,504,554, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB8,748,000 were treated as a deduction against the share premium arising from the issuance.

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33. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2019 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Capital reserve

Capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or the difference between the proceeds from disposal and the non-controlling interest disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB73,511,000 and RMB73,511,000, respectively, in respect of lease arrangements for buildings and offices (2018: Nil).

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34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Due to related companies RMB'000	Senior notes RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2018	24,476,345	9,849,122	—	—	34,325,467
Changes from financing cash flow	2,528,572	2,717,869	—	—	5,246,441
Changes from non-financing cash flow	—	(5,147,853)	—	—	(5,147,853)
At 31 December 2018	27,004,917	7,419,138	—	—	34,424,055
Effect of adoption of IFRS 16	**—**	**—**	**—**	**108,485**	**108,485**
At 1 January 2019 (restated)	**27,004,917**	**7,419,138**	**—**	**108,485**	**34,532,540**
Changes from financing cash flow	**9,244,952**	**4,480,153**	**4,195,371**	**(35,552)**	**17,884,924**
New leases	**—**	**—**	**—**	**73,511**	**73,511**
Interest expense	**—**	**—**	**—**	**6,509**	**6,509**
Interest paid classified as operating cash flows	**—**	**—**	**—**	**(6,509)**	**(6,509)**
Increase arising from due to related companies classified as operating cash flows	**—**	**86,344**	**—**	**—**	**86,344**
Decrease arising from disposal of subsidiaries	**(264,000)**	**—**	**—**	**—**	**(264,000)**
At 31 December 2019	**35,985,869**	**11,985,635**	**4,195,371**	**146,444**	**52,313,319**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**(22,233)**
Within financing activities	**(35,552)**
	(57,785)

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35. BUSINESS COMBINATIONS

Acquisition of Shandong Mingyao Property Co., Ltd. ("Shandong Mingyao")

On 18 January 2019, the Group acquired a 54% equity interest in Shandong Mingyao, an unlisted company, with registered capital of RMB18,000,000. Shandong Mingyao is mainly engaged in property development and operation. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB25,479,000 settled at the acquisition date.

The fair values of the identifiable assets and liabilities of the aforementioned subsidiary acquired as at the date of acquisition were as follows:

	2019 Fair value recognised on acquisition RMB'000
Properties under development	198,398
Cash and cash equivalents	6,047
Prepayments and other receivables	14,128
Trade and bills payables	(576)
Other payables and accruals	(188,755)
Deferred tax liabilities	(2,327)
Total identifiable net assets at fair value	26,915
Non-controlling interests measured at non-controlling interests' proportionate share of the net assets	(1,436)
Net assets acquired	25,479
Satisfied by cash	25,479

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2019 RMB'000
Cash consideration	(25,479)
Cash and cash equivalents acquired	6,047
Net outflow of cash and cash equivalents included in cash flows from investing activities	(19,432)

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35. BUSINESS COMBINATIONS (Continued)

Acquisition of Shandong Mingyao Property Co., Ltd. ("Shandong Mingyao") (Continued)

Since the acquisition, Shandong Mingyao contributed nil to the Group's revenue and a profit of RMB15,489,000 to the consolidated profit for the year ended 31 December 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB56,639,566,000 and RMB6,255,908,000 respectively.

36. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

(a) 揚州錦鴻置業有限公司 ("Yangzhou Jinhong Property Co., Ltd.")

Pursuant to the share transfer agreement dated 08 January 2019, the Group disposed of its 30% equity interest in Yangzhou Jinhong Property Co., Ltd. to 上海融創房地產開發集團有限公司 ("Shanghai Rongchuang Real Estate Development Group Co., Ltd.") for a consideration of RMB15,000,000.

(b) 揚州梁瑞置業有限公司 ("Yangzhou Liangrui Property Co., Ltd.")

Pursuant to the share transfer agreement dated 29 January 2019, the Group disposed of its 67% equity interest in Yangzhou Liangrui Property Co., Ltd. to 南京正惠置業有限公司 ("Nanjing Zhenghui Real Estate Co., Ltd.") and 恒通建設集團有限公司 ("Hengtong Construction Group Co., Ltd.") for a consideration of nil.

(c) 杭州金悦企業管理有限公司 ("Hangzhou Jinyue Enterprise Management Co., Ltd.")

Pursuant to the share transfer agreement dated 15 February 2019, the Group disposed of its 47% equity interest in Hangzhou Jinyue Enterprise Management Co., Ltd. to 溫州城際投資管理有限公司 ("Wenzhou Chengji Capital Management Co., Ltd.") for a consideration of RMB2,078,685.

(d) 南寧梁悦置業有限公司 ("Nanning Liangyue Group Co., Ltd.")

Pursuant to the share transfer agreement dated 1 April 2019, the Group disposed of its 71% equity interest in Nanning Liangyue Group Co., Ltd. to 杭州金翰控股集團有限公司 ("Hangzhou Jinhan Holding Group Co., Ltd.") and 寧波梅山保税港區桂悦投資合夥企業(有限合夥) ("Ningbo Meishan Bonded Port Area Guiyue Investment Partnership (Limited Partnership)") for a consideration of nil.

(e) 宜城市御融置業有限公司 ("Yicheng Yurong Property Co., Ltd.")

Pursuant to the share transfer agreement dated 26 April 2019, the Group disposed of its 35% equity interest in Yicheng Yurong Property Co., Ltd. to 湖北恆鑫力置業有限公司 ("Hubei Hengxinli Real Estate Co., Ltd.") for a consideration of RMB28,917,808.

(f) 蘇州恒信置業有限公司 ("Suzhou Hengxin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 28 April 2019, the Group disposed of its 50% equity interest in Suzhou Hengxin Property Co., Ltd. to 蘇州新力創悦房地產有限公司 ("Suzhou Xinli Chuangyue Real Estate Co., Ltd.") for a consideration of RMB5,000,000.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

(g) 贛州瑞御置業有限公司 ("Ganzhou Ruiyu Property Co., Ltd.")

Pursuant to the share transfer agreement dated 30 May 2019, the Group disposed of its 67% equity interest in Ganzhou Ruiyu Property Co., Ltd. to 池州梁鑫企業管理諮詢服務有限公司 ("Chizhou Liangxin Enterprise Management Consulting Service Co., Ltd."), 吉安市宏盛企業管理有限公司 ("Ji'an Hongsheng Enterprise Management Co., Ltd.") and 萍鄉中梁榮房地產信息諮詢合夥企業(有限合夥) ("Pingxiang Zhongliangrong Real Estate Information Consulting Partnership (Limited Partnership)") for a consideration of nil.

(h) 鹽城市中梁信置業有限公司 ("Yancheng Zhongliangxin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 13 August 2019, the Group disposed of its 70% equity interest in Yancheng Zhongliangxin Property Co., Ltd. to 鹽城通達置業有限公司 ("Yancheng Tongda Property Co., Ltd.") for a consideration of nil.

(i) 杭州梁信置業有限公司 ("Hangzhou Liangxin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Hangzhou Liangxin Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of RMB200,000,000.

(j) 義烏市梁恆置業有限公司 ("Yiwu Liangheng Property Co., Ltd.")

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Yiwu Liangheng Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of nil.

(k) 三門縣中梁恒置業有限公司 ("Sanmen Zhongliangcheng Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 11 December 2019, the Group disposed of its 57% equity interest in Sanmen Zhongliangcheng Real Estate Co., Ltd. to 三門華順投資有限公司 ("Sanmen Huasheng Investment Co., Ltd."), for a consideration of nil.

For the year ended 31 December 2018

(a) 廈門梁博置業有限公司 ("Xiamen Liangbo Property Development Co., Ltd.")

Pursuant to the share transfer agreement dated 22 January 2018, the Group disposed of its 100% equity interest in Xiamen Liangbo Property Development Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 January 2018.

(b) 上海新中梁房地產開發集團有限公司 ("Shanghai Xinzhongliang Real Estate Group Co., Ltd.")

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Xinzhongliang Real Estate Co., Ltd. to a related party, 蘇州工業園區華成房地產開發有限公司 ("Suzhou Industrial Park Huacheng Real Estate Development Limited"), for a consideration of RMB100,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2018 (Continued)

(c) 上海華成中梁置業有限公司 ("Shanghai Huacheng Zhongliang Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Huacheng Zhongliang Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited for a consideration of RMB60,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(d) 上海中梁物業發展有限公司 ("Shanghai Zhongliang Property Development Co., Ltd.")

Pursuant to the share transfer agreement dated 20 March 2018,the Group disposed of its 100% equity interest in Shanghai Zhongliang Property Development Co.,Ltd. to a related party, 上海良中管理諮詢有限公司 ("Shanghai Liangzhong Management Consulting Co., Ltd."), for a consideration of RMB5,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(e) 上海金華成置業有限公司 ("Shanghai Jinhuacheng Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 31 March 2018, the Group disposed of its 100% equity interest in Shanghai Jinhuacheng Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited, for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.

(f) 濱州市梁基置業有限公司 ("Binzhou Liangji Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 16 April 2018, the Group disposed of its 100% equity interest in Binzhou Liangji Real Estate Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.

(g) 安徽鵠環企業管理諮詢有限公司 ("Anhui Huhuan Management Consulting Co., Ltd.")

Pursuant to the share transfer agreement dated 2 May 2018, the Group disposed of its 100% equity interest in Anhui Haohuan Management Consulting Co., Ltd. to a related party, 浙江天劍置業有限公司 ("Zhejiang Tianjian Real Estate Co., Ltd."), for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.

(h) 梁岳管理諮詢(上海)有限公司 ("Liangyue Management Consulting (Shanghai) Co., Ltd.")

Pursuant to the share transfer agreement dated 3 May 2018, the Group disposed of its 100% equity interest in Liangyue Management Consulting (Shanghai) Co., Ltd. to a related party, 創弘棠(上海)管理諮詢有限公司 ("Chuanghongtang (Shanghai) Management consulting Co., Ltd."), for a consideration of RMB8,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.

(i) 萊蕪贏和中梁置業有限公司 ("Laiwu Yinghe Zhongliang Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 19 July 2018, the Group disposed of its 66% equity interest in Laiwu Yinghe Zhongliang Real Estate Co., Ltd. to 萊蕪贏和置業有限公司 ("Laiwu Yinghe Real Estate Co., Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2018 (Continued)

(j) 邵陽梁泰房地產開發有限公司 ("Shaoyang Liangtai Real Estate Development Co., Ltd.")

Pursuant to the share transfer agreement dated 31 July 2018, the Group disposed of its 15% equity interest in Shaoyang Liangtai Real Estate Development Co., Ltd. to 武漢長興輝業管理合夥企業(有限合夥) ("Wuhan Changxing Huiye Management Partnership (Limited Partnership)") for a consideration of RMB7,500,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

(k) 長沙梁軒置業有限公司 ("Changsha Liangxuan Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 28 August 2018, the Group disposed of its 99% equity interest in Changsha Liangxuan Real Estate Co., Ltd. to 利得股權投資管理有限公司 ("Profit Equity Investment Management Co., Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(l) 吉安中梁泰置業有限公司 ("Ji'an Zhongliangtai Property Co., Ltd.")

Pursuant to the share transfer agreement dated 15 August 2018, the Group disposed of its 30% equity interest in Ji'an Zhongliangtai Property Co., Ltd. to 五礦國際信託有限公司 ("Minmetals International Trust Co. Ltd.") for a consideration of RMB21,430,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(m) 金華市福橋置業有限公司 ("Jinhua Fuqiao Property Co., Ltd.")

Pursuant to the share transfer agreement dated 30 August 2018, the Group disposed of its 50% equity interest in Jinhua Fuqiao Real Estate Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of RMB10,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(n) 南京梁碩置業有限公司 ("Nanjing Liangshuo Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 15 October 2018, the Group disposed of its 99% equity interest in Nanjing Liangshuo Real Estate Co., Ltd. to 嘉興盛世神州包利股權投資合夥企業(有限合夥) ("Jiaxing Shengshi Shenzhou Baoli Equity Investment Partnership (Limited Partnership)") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

(o) 杭州梁晟置業有限公司 ("Hangzhou Liangsheng real estate co., Ltd.")

Pursuant to the share transfer agreement dated 1 November 2018, the Group disposed of its 100% equity interest in Hangzhou Liangsheng Real Estate Co., Ltd. to 鴻翔房地產開發有限公司 ("Hongxiang Real Estate Co. Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2018 (Continued)

(p) 上海興滸置業有限公司 ("Shanghai Xinghu Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

(q) 梁寶(杭州)互聯網科技服務有限公司 ("Liang Bao (Hangzhou) Internet Technology Service Co., Ltd.")

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	2019 RMB'000	2018 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	1,032	2,420
Investment properties (note 14)	69,500	—
Deferred tax assets (note 19)	24,418	—
Properties under development (note 21)	1,936,105	3,115,570
Tax recoverable	37,495	1,563
Cash and cash equivalents	380,058	75,456
Investments in associates	670,000	214,343
Prepayments and other receivables	2,062,275	2,639,274
Trade and bills payables	(216,482)	(236,169)
Contract liabilities	(1,420,847)	(334)
Interest-bearing bank and other borrowings	(264,000)	(215,000)
Tax payable	(16,271)	—
Deferred tax liabilities (note 19)	(9,406)	—
Other payables and accruals	(3,117,629)	(5,242,187)
Non-controlling interests	(81,129)	(8,724)
	55,119	346,212
Gain/(loss) on disposal of subsidiaries	4,029	(23,215)
Satisfied by cash	59,148	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	59,148	—
Cash and bank balances disposed of	(380,058)	(75,456)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(320,910)	(75,456)

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group and thus the individual financial information of some subsidiaries on the disposal date was not disclosed.

Notes to Financial Statements

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37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	**2019** **RMB'000**	2018 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	**51,717,760**	28,897,294
Guarantees given to banks in connection with facilities granted to related companies	(2)	**10,228,866**	6,594,169

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 31 December 2019, an allowance of RMB31,364,000 (2018: RMB84,869,000) was provided for as a result of the guarantees provided to the related companies.

Notes to Financial Statements

31 December 2019

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Property development activities	68,331,392	40,652,123
Acquisition of land use rights	2,887,197	1,930,992
Capital contributions payable to joint ventures and associates	3,999,720	1,464,253
	75,218,309	44,047,368

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for office properties were negotiated for terms ranging from one month to fifteen years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	82,489
In the second to fifth years, inclusive	88,348
After five years	2,720
	173,557

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39. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2019 RMB'000	2018 RMB'000
Advance to related companies:		
Companies controlled by certain directors and/or their close family members	**653**	879,640
Joint ventures and associates	**18,046,174**	16,340,940
Companies controlled by the ultimate controlling shareholders	**79,352**	20,715,480
Repayment of advances to related companies:		
Companies controlled by certain directors and/or their close family members	**14,591**	1,116,338
Joint ventures and associates	**18,205,777**	10,042,749
Companies controlled by the ultimate controlling shareholders	**302,243**	19,092,375
Advance from related companies:		
Companies controlled by certain directors and/or their close family members	**–**	547,304
Joint ventures and associates	**15,215,605**	12,999,594
Companies controlled by the ultimate controlling shareholders	**94,494**	5,128,989
Repayment of advances from related companies:		
Companies controlled by certain directors and/or their close family members	**119,458**	616,639
Joint ventures and associates	**10,545,731**	9,494,973
Companies controlled by the ultimate controlling shareholders	**164,757**	5,846,406
Property management services to joint ventures and associates(Note)	**–**	1,199
Management consulting services to joint ventures and associates(Note)	**181,276**	86,338
Interest income from companies controlled by certain directors and/or their close family members(Note)	**–**	133,411
Finance costs from a company significantly impacted by certain directors(Note)	**3,750**	23,086
Property management services from companies controlled by the ultimate controlling shareholders*(Note)	**221,575**	98,734

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39. RELATED PARTY TRANSACTIONS (Continued)

(1) Significant related party transactions (Continued)

	2019 RMB'000	2018 RMB'000
Design, decoration and outfitting service from companies controlled by the ultimate controlling shareholders*(Note)	8,238	–

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) Disposal of subsidiaries

	2019 RMB'000	2018 RMB'000
Consideration of disposal of subsidiaries (note 36)	–	273,000

(3) Other transactions with related parties

i. As at 31 December 2019, the Controlling Shareholders and Suzhou Industrial Park Huacheng Real Estate Development Limited have jointly guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB5,262,550,000).

ii. As at 31 December 2019, the Controlling Shareholders has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB2,320,339,000).

iii. As at 31 December 2019, Suzhou Industrial Park Huacheng Real Estate Development Limited has guaranteed certain of the bank and other borrowings of up to nil (31 December 2018: RMB2,055,880,000).

iv. Jiangsu Zhongquanhe Construction Co., Ltd. provided a loan to the Group for real estate development with a term of two years, and an interest rate of 7.45% per annum. As at 31 December 2019, the outstanding balance of the aforementioned loan amounted to nil (31 December 2018: RMB138,600,000). This loan was included in "Interest-bearing bank and other borrowings" in the consolidated statements of financial position of the Group.

v. As at 31 December 2019, Rui'an Yuetang Property Co., Ltd. has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB204,000,000).

vi. As at 31 December 2019, Shucheng Wenzhu Real Estate Co., Ltd. has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB70,000,000).

vii. As at 31 December 2019, Deqing Jinhao Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB235,200,000 (31 December 2018: RMB400,000,000).

viii. As at 31 December 2019, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB10,228,866,000 (31 December 2018: RMB6,594,169,000).

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39. RELATED PARTY TRANSACTIONS (Continued)

(4) Outstanding balances with related parties

	2019 RMB'000	2018 RMB'000
Due from companies controlled by certain directors and/or their close family members	43,717	57,655
Due from joint ventures and associates	9,401,294	9,560,897
Due from companies controlled by the ultimate controlling shareholders	1,189	222,891
Due to companies controlled by certain directors and/or their close family members	–	119,458
Due to joint ventures and associates	11,898,776	7,228,902
Due to companies controlled by the ultimate controlling shareholders	86,859	70,778

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

(5) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	77,369	35,153
Pension scheme contributions	512	611
Total compensation paid to key management personnel	77,881	35,764

Further details of directors' emoluments are included in note 8 to the financial statements.

Notes to Financial Statements

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables (note 24)	23,560,227	—	23,560,227
Financial assets at fair value through profit or loss (note 20)	—	290,723	290,723
Due from related companies (note 39)	9,446,200	—	9,446,200
Restricted cash (note 25)	10,194,619	—	10,194,619
Pledged deposits (note 25)	1,344,886	—	1,344,886
Cash and cash equivalents (note 25)	14,955,756	—	14,955,756
	59,501,688	290,723	59,792,411

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Senior notes (note 31)	4,195,371	—	4,195,371
Lease liabilities (note 16)	146,444	—	146,444
Trade and bills payables (note 26)	12,060,536	—	12,060,536
Other financial liabilities	—	92,378	92,378
Financial liabilities included in other payables and accruals (note 27)	15,434,018	—	15,434,018
Due to related companies (note 39)	11,985,635	—	11,985,635
Interest-bearing bank and other borrowings (note 29)	35,985,869	—	35,985,869
Provision for financial guarantee contracts	—	31,364	31,364
	79,807,873	123,742	79,931,615

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40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows (Continued):

31 December 2018

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables (note 24)	13,621,435	—	13,621,435
Financial assets at fair value through profit or loss (note 20)	—	228,757	228,757
Due from related companies (note 39)	9,841,443	—	9,841,443
Restricted cash (note 25)	7,892,069	—	7,892,069
Pledged deposits (note 25)	636,777	—	636,777
Cash and cash equivalents (note 25)	14,551,518	—	14,551,518
	46,543,242	228,757	46,771,999

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Trade and bills payables (note 26)	8,498,295	—	8,498,295
Other financial liabilities	—	59,284	59,284
Financial liabilities included in other payables and accruals (note 27)	16,470,082	—	16,470,082
Due to related companies (note 39)	7,419,138	—	7,419,138
Interest-bearing bank and other borrowings (note 29)	27,004,917	—	27,004,917
Provision for financial guarantee contracts	—	84,869	84,869
	59,392,432	144,153	59,536,585

Notes to Financial Statements

31 December 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at FVTPL	**290,723**	228,757	**290,723**	228,757
Financial liabilities				
Senior notes	**4,195,371**	—	**4,205,800**	—
Interest-bearing bank and other borrowings (note 29)	**35,985,869**	27,004,917	**36,000,290**	26,991,997
Other financial liabilities	**92,378**	59,284	**92,378**	59,284
Provision for financial guarantee contracts (note 30)	**31,364**	84,869	**31,364**	84,869
	40,304,982	27,149,070	**40,329,832**	27,136,150

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 was assessed to be insignificant.

Notes to Financial Statements

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liability is categorised within level 3 of the fair value hierarchy.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at FVTPL	**77,147**	**—**	**213,576**	**290,723**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL	—	—	228,757	228,757

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:
As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Other financial liabilities	**—**	**—**	**92,378**	**92,378**
Provision for financial guarantee contracts	**—**	**—**	**31,364**	**31,364**
	—	**—**	**123,742**	**123,742**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other financial liabilities	—	—	59,284	59,284
Provision for financial guarantee contracts	—	—	84,869	84,869
	—	—	144,153	144,153

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31 December 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Senior notes	—	4,205,800	—	4,205,800
Interest-bearing bank and other borrowings	—	36,000,290	—	36,000,290
	—	40,206,090	—	40,206,090

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	26,991,997	—	26,991,997

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other financial liabilities	Discounted cash flows method	Incremental borrowing cost	2019: 7.20%-22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB103,000/RMB103,000
			2018: 8.20%–12.50%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB78,000/RMB78,000
		Expected rate of return per annum	2019: 16.97%–21.45%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB22,000/RMB22,000
			2018: 9.87%–14.96%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB48,000/RMB48,000
Financial assets at FVTPL	Market approach	Net asset value	2019: RMB0.9708	1% increase/decrease in net asset value would result in an increase/ decrease in fair value by RMB2,135,760/RMB2,135,760
	Discounted cash flows method	Expected rate of return per annum	2018: 8.78%	1% increase/decrease in expected interest rate per annum would result in an increase/decrease in fair value by RMB2,000/RMB2,000
		Discount rate	2018: 3.17%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB1,000/RMB1,000
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2019: 37.30%–40.00%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB52,905/RMB52,382
			2018: 38.00%–39.50%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB351,003/RMB351,003
		Discount rate	2019: 1.26%–2.73%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB2,663/RMB2,639
			2018: 2.39%–2.87%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB26,422/RMB26,444

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, trade receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, financial assets at fair value through profit or loss, other financial liabilities, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

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31 December 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

As at 31 December 2019, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB12,202,000 (2018: RMB10,497,000).

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its cash and cash equivalents and senior notes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2019		
If the RMB weakens against the US$	**–5%**	**(188,685)**
If the RMB strengthens against the US$	**+5%**	**188,685**
If the RMB weakens against the HK$	**–5%**	**1,373**
If the RMB strengthens against the HK$	**+5%**	**(1,373)**
2018		
If the RMB weakens against the US$	–5%	—
If the RMB strengthens against the US$	+5%	—
If the RMB weakens against the HK$	–5%	—
If the RMB strengthens against the HK$	+5%	—

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	3,035	3,035
Financial assets included in prepayments and other receivables					
— Normal**	23,560,227	–	–	–	23,560,227
Due from related companies	9,446,200	–	–	–	9,446,200
Restricted cash					
— Not yet past due	10,194,619	–	–	–	10,194,619
Pledged deposits					
— Not yet past due	1,344,886	–	–	–	1,344,886
Cash and cash equivalents					
— Not yet past due	14,955,756	–	–	–	14,955,756
Financial guarantees provided to associates and joint ventures					
— Not yet past due	10,228,866	–	–	–	10,228,866
	69,730,554	–	–	3,035	69,733,589

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)
As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	—	—	—	4,354	4,354
Financial assets included in prepayments and other receivables					
— Normal**	13,621,435	—	—	—	13,621,435
Due from related companies	9,841,443	—	—	—	9,841,443
Restricted cash					
— Not yet past due	7,892,069	—	—	—	7,892,069
Pledged deposits					
— Not yet past due	636,777	—	—	—	636,777
Cash and cash equivalents					
— Not yet past due	14,551,518	—	—	—	14,551,518
Financial guarantees provided to associates and joint ventures					
— Not yet past due	6,594,169	—	—	—	6,594,169
	53,137,411	—	—	4,354	53,141,765

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 23 . There is no significant concentration of credit risk.

** The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, corporate bonds, and senior notes. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019					
Senior notes	—	—	1,378,045	2,817,326	4,195,371
Trade and bills payables	—	12,060,536	—	—	12,060,536
Financial liabilities included in other payables and accruals	—	15,436,018	—	—	15,436,018
Due to related companies	11,985,635	—	—	—	11,985,635
Financial guarantee contracts	10,228,866	—	—	—	10,228,866
Other financial liabilities	92,378	—	—	—	92,378
Interest-bearing bank and other borrowings	—	3,632,856	16,352,478	21,006,979	40,992,313
Lease liabilities	—	1,537	80,952	91,068	173,557
	22,306,879	31,130,947	17,811,475	23,915,373	95,164,674
31 December 2018					
Trade and bills payables	—	8,498,295	—	—	8,498,295
Financial liabilities included in other payables and accruals	—	16,470,082	—	—	16,470,082
Due to related companies	7,419,138	—	—	—	7,419,138
Financial guarantee contracts	6,594,169	—	—	—	6,594,169
Other financial liabilities	59,284	—	—	—	59,284
Interest-bearing bank and other borrowings	—	2,581,750	15,069,658	14,964,607	32,616,015
	14,072,591	27,550,127	15,069,658	14,964,607	71,656,983

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related companies, provision for financial guarantee contracts, other financial liabilities, interest-bearing bank and other borrowings, lease liabilities and senior notes, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period was as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000 (note)	31 December 2018 RMB'000
Trade and bills payables	12,060,536	8,498,295	8,498,295
Financial liabilities included in other payables and accruals	19,019,087	20,476,168	20,476,168
Due to related companies	11,985,635	7,419,138	7,419,138
Provision for financial guarantee contracts	31,364	84,869	84,869
Other financial liabilities	92,378	59,284	59,284
Interest-bearing bank and other borrowings	35,985,869	27,004,917	27,004,917
Senior notes	4,195,371	—	—
Lease liabilities	146,444	108,485	—
Less: Cash and cash equivalents	(14,955,756)	(14,551,518)	(14,551,518)
Net debt	68,560,928	49,099,638	48,991,153
Equity attributable to owners of the parent	8,728,100	2,578,676	2,578,676
Capital and net debt	77,289,028	51,678,314	51,569,829
Gearing ratio	88.71%	95.01%	95.00%

Note: The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 95.00% to 95.01% on 1 January 2019 when compared with the position as at 31 December 2018.

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	40	—
Investment in subsidiary	200,523	200,523
Total non-current assets	200,563	200,523
CURRENT ASSETS		
Cash and cash equivalents	441,905	1,144
Due from subsidiaries	9,374,034	963,005
Total current assets	9,815,939	964,149
CURRENT LIABILITIES		
Other payables and accruals	34,131	4,792
Due to subsidiaries	—	125
Senior notes	1,378,045	—
Total current liabilities	1,412,176	4,917
NET CURRENT ASSETS	8,403,763	959,232
TOTAL ASSETS LESS CURRENT LIABILITIES	8,604,326	1,159,755
NON-CURRENT LIABILITIES		
Senior notes	2,817,326	—
Total non-current liabilities	2,817,326	—
Net assets	5,787,000	1,159,755
EQUITY		
Share capital	31,450	85
Reserves	5,755,550	1,159,670
Total equity	5,787,000	1,159,755

Chen Hongliang
Director

Li Heli
Director

Notes to Financial Statements

31 December 2019

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018	—	—	—	—	—
Total comprehensive income for the year	—	—	—	4,415	4,415
Capital contribution from non-controlling shareholders of subsidiaries	—	—	200,523	—	200,523
Issuance of new shares	85	954,732	—	—	954,817
Balance at 1 January 2019 and 31 December 2018	**85**	**954,732**	**200,523**	**4,415**	**1,159,755**
Total comprehensive income for the year	**—**	**—**	**—**	**2,415,134**	**2,415,134**
Issuance of new shares	**31,365**	**2,675,033**	**—**	**—**	**2,706,398**
Dividends and distributions	**—**	**—**	**—**	**(494,287)**	**(494,287)**
Balance at 31 December 2019	**31,450**	**3,629,765**	**200,523**	**1,925,262**	**5,787,000**

44. EVENTS AFTER THE REPORTING PERIOD

Issuance of senior notes

On 18 February 2020, the Company issued senior notes with a principal amount of US$ 250,000,000 due in 2021. The senior notes bear interest at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 February 2021. At any time prior to maturity, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

Assessment on the impact of the novel coronavirus's (COVID-19)

The outbreak of COVID-19 in early January 2020 continued to spread throughout Mainland China and beyond. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

45. APPROVAL OF THE SUBSEQUENT FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 April 2020.

Five-Year Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**56,639,596**	30,214,688	14,026,299	2,925,411	1,619,031
Cost of sales	**(43,457,345)**	(23,303,847)	(11,166,324)	(2,308,844)	(1,497,855)
Gross profit	**13,182,251**	6,910,841	2,859,975	616,567	121,176
Other income and gains	**233,873**	95,045	24,517	163,475	1,980
Selling and distribution expenses	**(2,030,081)**	(1,333,901)	(823,698)	(405,186)	(106,078)
Administrative expenses	**(2,549,711)**	(1,648,265)	(701,224)	(377,001)	(91,294)
Impairment losses on financial assets	**(9,870)**	(10,964)	(2,162)	(473)	(24)
Other expenses	**(255,162)**	(197,760)	(20,333)	(30,059)	(2,502)
Fair value gains on investment properties	**49,855**	71,971	261,898	8,725	2,966
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(6,880)**	(4,039)	(5,378)	17,919	—
Finance income	**515,645**	353,711	150,805	63,797	9,379
Finance costs	**(466,533)**	(433,466)	(356,320)	(269,018)	(136,256)
Share of profits and losses of:					
Joint ventures	**979,353**	(82,242)	(134,844)	(29,053)	—
Associates	**255,371**	717,545	14,649	(33,648)	(4,718)
Profit/(loss) before tax	**9,898,111**	4,438,476	1,267,885	(273,955)	(205,371)
Income tax (expense)/credit	**(3,642,203)**	(1,912,189)	(769,311)	4,186	24,532
Profit/(loss) for the year	**6,255,908**	2,526,287	498,574	(269,769)	(180,839)
Attributable to:					
Owners of the Company	**3,833,699**	1,931,336	502,667	(168,627)	(173,417)
Non-controlling interests	**2,422,209**	594,951	(4,093)	(101,142)	(7,422)
	6,255,908	2,526,287	498,574	(269,769)	(180,839)

Five-Year Financial Summary

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets	**14,389,227**	7,680,424	2,721,979	846,134	334,981
Current assets	**210,130,756**	160,394,192	96,488,433	45,478,960	13,563,750
Total assets	**224,519,983**	168,074,616	99,210,412	46,325,094	13,898,731
EQUITY AND LIABILITIES					
Total equity	**20,871,555**	6,754,232	2,353,751	654,988	154,556
Non-current liabilities	**19,629,976**	12,871,427	17,175,187	10,534,680	3,357,250
Current liabilities	**184,018,452**	148,448,957	79,681,474	35,135,426	10,386,925
Total liabilities	**203,648,428**	161,320,384	96,856,661	45,670,106	13,744,175
Total equity and liabilities	**224,519,983**	168,074,616	99,210,412	46,325,094	13,898,731

The following is the text of a report on Zhongliang Holdings Group Company Limited, prepared for the purpose of incorporation in this prospectus received from the Reporting Accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

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

The Directors
Zhongliang Holdings Group Company Limited
CCB International Capital Limited

Dear Sirs,

We report on the historical financial information of Zhongliang Holdings Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-142, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and the statement of financial position of the Company as at 31 December 2018, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-142 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 June 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

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

No historical financial statements for the Company

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
27 June 2019

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	2016	2017	2018
		RMB'000	RMB'000	RMB'000
REVENUE	5	2,925,411	14,026,299	30,214,688
Cost of sales		(2,308,844)	(11,166,324)	(23,303,847)
GROSS PROFIT		616,567	2,859,975	6,910,841
Finance income		63,797	150,805	353,711
Other income and gains	5	163,475	24,517	95,045
Selling and distribution expenses		(405,186)	(823,698)	(1,333,901)
Administrative expenses		(377,001)	(701,224)	(1,648,265)
Impairment losses on financial assets		(473)	(2,162)	(10,964)
Other expenses		(30,059)	(20,333)	(197,760)
Fair value gains on investment properties	14	8,725	261,898	71,971
Fair value gains/(losses) on financial assets at fair value through profit or loss		17,919	(5,378)	(4,039)
Finance costs	7	(269,018)	(356,320)	(433,466)
Share of profits and losses of:				
Joint ventures		(29,053)	(134,844)	(82,242)
Associates		(33,648)	14,649	717,545
(LOSS)/ PROFIT BEFORE TAX	6	(273,955)	1,267,885	4,438,476
Income tax credit/ (expense)	10	4,186	(769,311)	(1,912,189)

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
(LOSS)/ PROFIT FOR THE YEAR		(269,769)	498,574	2,526,287
Attributable to:				
Owners of the parent		(168,627)	502,667	1,931,336
Non-controlling interests		(101,142)	(4,093)	594,951
		(269,769)	498,574	2,526,287
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	12	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2016	31 December 2017	31 December 2018
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	31,265	49,999	105,269
Investment properties	14	324,500	791,000	928,900
Intangible assets	15	574	570	455
Investments in joint ventures	16	27,639	415,602	2,584,059
Investments in associates	17	209,039	437,704	2,113,159
Deferred tax assets	18	253,117	980,902	1,852,380
Prepayments and other receivables	23	—	46,202	96,202
Total non-current assets		846,134	2,721,979	7,680,424
CURRENT ASSETS				
Financial assets at fair value through profit or loss	19	596,189	297,171	228,757
Properties under development	20	29,236,145	61,379,980	99,481,406
Completed properties held for sale	21	1,128,074	2,302,650	3,596,396
Trade receivables	22	—	—	4,354
Due from related companies	37	2,916,928	7,294,042	9,841,443
Prepayments and other receivables	23	2,916,072	7,713,749	22,209,895
Tax recoverable		184,515	1,016,518	1,951,577
Restricted cash	24	3,383,921	5,030,343	7,892,069
Pledged deposits	24	269,646	705,958	636,777
Cash and cash equivalents	24	4,847,470	10,748,022	14,551,518
Total current assets		45,478,960	96,488,433	160,394,192
CURRENT LIABILITIES				
Trade and bills payables	25	1,986,681	4,839,542	8,498,295
Other payables and accruals	26	1,904,344	4,316,682	20,476,168
Contract liabilities	27	16,882,989	51,891,569	95,482,250
Due to related companies	37	4,411,521	9,849,122	7,419,138
Interest-bearing bank and other borrowings	28	9,792,133	7,561,064	14,468,672
Tax payable	10	135,541	1,182,504	1,960,281
Provision for financial guarantee contracts	38	—	—	84,869
Other financial liabilities		22,217	40,991	59,284
Total current liabilities		35,135,426	79,681,474	148,448,957
NET CURRENT ASSETS		**10,343,534**	**16,806,959**	**11,945,235**
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,189,668**	**19,528,938**	**19,625,659**

	Notes	31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	28	10,434,493	16,915,281	12,536,245
Deferred tax liabilities	18	100,187	259,906	335,182
Total non-current liabilities		10,534,680	17,175,187	12,871,427
NET ASSETS		**654,988**	**2,353,751**	**6,754,232**
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	—	—	85
Reserves	30	(267,754)	234,717	2,578,591
		(267,754)	**234,717**	**2,578,676**
Non-controlling interests		**922,742**	**2,119,034**	**4,175,556**
TOTAL EQUITY		**654,988**	**2,353,751**	**6,754,232**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29	*Note 30(a)*	*Note 30(b)*	*Note 30(d)*	*Note 30(c)*				
As at 1 January 2016	—	—*	600,000*	—*	6,585*	(505,712)*	100,873	53,683	154,556
Profit or loss for the year	—	—	—	—	—	(168,627)	(168,627)	(101,142)	(269,769)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	970,201	970,201
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries	—	—	(200,000)	—	—	—	(200,000)	—	(200,000)
Appropriations to statutory surplus reserve	—	—	—	—	18,504	(18,504)	—	—	—
As at 31 December 2016	—	—*	400,000*	—*	25,089*	(692,843)*	(267,754)	922,742	654,988
As at 31 December 2016 and 1 January 2017	—	—*	400,000*	—*	25,089*	(692,843)*	(267,754)	922,742	654,988
Profit or loss for the year	—	—	—	—	—	502,667	502,667	(4,093)	498,574
Acquisition of subsidiaries	—	—	—	—	—	—	—	113,307	113,307
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	1,086,882	1,086,882
Appropriations to statutory surplus reserve	—	—	—	—	128,072	(128,268)	(196)	196	—
As at 31 December 2017	—	—*	400,000*	—*	153,161*	(318,444)*	234,717	2,119,034	2,353,751

	Attributable to owners of the parent								
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29	*Note 30(a)*	*Note 30(b)*	*Note 30(d)*	*Note 30(c)*				
As at 31 December 2017 and 1 January 2018	—	—*	400,000*	—*	153,161*	(318,444)*	234,717	2,119,034	2,353,751
Profit or loss for the period	—	—	—	—	—	1,931,336	1,931,336	594,951	2,526,287
Issuance of new shares	85	954,732	—	—	—	—	954,817	—	954,817
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	21,755	—	—	21,755	1,222,547	1,244,302
Acquisition of non-controlling interests	—	—	—	(167,087)	—	—	(167,087)	167,087	—
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries	—	—	(396,862)	—	—	—	(396,862)	—	(396,862)
Acquisition of subsidiaries	—	—	—	—	—	—	—	71,937	71,937
Appropriations to statutory surplus reserve	—	—	—	—	453,358	(453,358)	—	—	—
As at 31 December 2018	85	954,732*	3,138*	(145,332)*	606,519*	1,159,534*	2,578,676	4,175,556	6,754,232

* These reserve accounts represent the total consolidated reserves of RMB234,717,000 and RMB2,578,591,000 in the consolidated statements of financial position as at 31 December 2017 and 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/ profit before tax		(273,955)	1,267,885	4,438,476
Adjustments for:				
Depreciation of items of property, plant and equipment	6,13	12,981	17,969	42,922
Amortisation of intangible assets	6,15	72	198	259
Impairment losses recognised for properties under development	6,20	22,173	5,988	54,800
Impairment losses recognised for financial assets	23	473	2,162	10,964
(Gain)/loss on disposal of subsidiaries		—	(14,389)	23,215
Gain on disposal of associates	5	(5,732)	—	(6,802)
Gain on bargain purchase	5	(153,223)	—	—
Share of profits and losses of joint ventures		29,053	134,844	82,242
Share of profits and losses of associates		33,648	(14,649)	(717,545)
Fair value gains on investment properties	14	(8,725)	(261,898)	(71,971)
Fair value (gains)/ losses on financial assets at fair value through profit or loss		(17,919)	5,378	4,039
Finance costs	7	269,018	356,320	433,466
Finance income		(63,797)	(150,805)	(353,711)
		(155,933)	1,349,003	3,940,354
Increase in properties under development and completed properties held for sale		(22,288,337)	(43,331,897)	(39,480,692)
Increase in prepayments and other receivables		(2,958,221)	(1,983,138)	(11,242,826)
Increase in restricted cash		(2,476,184)	(1,646,422)	(2,861,726)
(Increase)/decrease in pledged deposits		(86,367)	(52,060)	26,332
Increase in trade receivables		—	—	(4,354)
Increase in trade and bills payables		1,565,867	2,931,872	3,878,183
Increase in other payables, and accruals		182,345	4,026,339	15,181,510
Increase in contract liabilities		10,166,033	35,008,580	43,589,952
Cash (used in)/generated from operations		**(16,050,797)**	**(3,697,723)**	**13,026,733**
Interest received		64,531	147,552	285,047
Interest paid		(1,481,669)	(2,204,769)	(2,395,482)
Tax paid		(160,267)	(1,082,847)	(2,879,352)
Net cash flows (used in)/generated from operating activities		**(17,628,202)**	**(6,837,787)**	**8,036,946**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	13	(25,926)	(37,539)	(48,227)
Purchases of intangible assets	15	(520)	(194)	(144)
Acquisition of financial assets at fair value through profit or loss	19	(578,270)	(20,753)	(2,500)
Acquisition of subsidiaries		(572,695)	(1,726,463)	(405,681)
Disposal of financial assets at fair value through profit or loss	19	12,000	314,393	66,875
Investments in joint ventures and associates		(269,785)	(757,228)	(3,467,757)
Disposal of investments in joint ventures and associates		—	3,850	101,318
Purchases of investment properties	14	(143,775)	(204,602)	(65,929)
Advances to related companies	37	(746,499)	(23,739,203)	(37,936,060)
Repayment of advances to related companies	37	3,663,427	28,116,317	30,251,462
Net cash flows generated from/(used in) investing activities		**1,337,957**	**1,948,578**	**(11,506,643)**

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of new shares		—	—	954,817
Capital contribution from non-controlling shareholders of subsidiaries		623,585	1,486,693	1,244,302
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries		(200,000)	—	(396,862)
Advances from related companies	37	6,176,047	22,018,610	18,675,887
Repayment of advances from related companies	37	(2,534,131)	(16,581,009)	(15,958,018)
(Increase)/ decrease in pledged deposits		(146,665)	(384,252)	42,849
Proceeds from interest-bearing bank and other borrowings		19,190,719	15,867,596	31,287,963
Repayment of interest-bearing bank and other borrowings		(4,090,490)	(11,617,877)	(28,577,745)
Net cash flows generated from financing activities		**19,019,065**	**10,789,761**	**7,273,193**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,728,820**	**5,900,552**	**3,803,496**
Cash and cash equivalents at beginning of year		2,118,650	4,847,470	10,748,022
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,847,470**	**10,748,022**	**14,551,518**
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24	8,501,037	16,484,323	23,080,364
Less: Restricted cash	24	3,383,921	5,030,343	7,892,069
Pledged deposits	24	269,646	705,958	636,777
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		**4,847,470**	**10,748,022**	**14,551,518**

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2018
		RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries		—
Total non-current assets		—
CURRENT ASSETS		
Cash and cash equivalents	24	1,144
Due from subsidiaries	42	963,005
Total current assets		964,149
CURRENT LIABILITIES		
Other payables and accruals		4,918
Total current liabilities		4,918
NET CURRENT ASSETS		**959,231**
TOTAL ASSETS LESS CURRENT LIABILITIES		**959,231**
NET ASSETS		**959,231**
EQUITY		
Share capital	29	85
Reserves	30	959,146
TOTAL EQUITY		**959,231**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in property development, property leasing, and providing property management services and management consulting services. The immediate holding company of the Company is Liangzhong International Co., Ltd. The controlling shareholders of the Group are Mr. Yang Jian, Ms. Xu Xiaoqun, Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd. (the "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation which was completed on 21 September 2018 as set out in the paragraph headed "Reorganisation" in the section headed "Our History and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As of the date of report date, the Company had direct or indirect interests in more than 800 subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the major subsidiaries are set out below:

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
Directly held:					
Zhongliang International Development Company Limited	(1)	British Virgin Islands/ 27 March 2018	US$50	100.00%	Investment holding
Ample SINO Investments Limited	(1)	British Virgin Islands/ 3 July 2018	US$50	100.00%	Investment holding
Indirectly held:					
Zhongliang Hong Kong Property Investment Group Co. Limited	(1)	Hong Kong/ 29 March 2018	HK$50	100.00%	Investment holding
Heng Rong Co., Ltd.	(1)	Hong Kong/ 18 May 2018	HK$10	100.00%	Investment holding

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
上海梁卓商務信息諮詢有限公司 Shanghai Liangzhuo Business Information Consulting Co., Ltd.	(1)	People's Republic of China ("PRC")/ Mainland China/ 9 July 2018	RMB10,000	100.00%	Investment holding
上海中梁企業發展有限公司 Shanghai Zhongliang Enterprise Development Co., Ltd.	(1)	PRC/Mainland China/ 26 August 2016	RMB3,330,000	100.00%	Investment holding
溫州市中梁華成置業有限公司 Wenzhou Zhongliang Huacheng Property Co., Ltd.	(1)	PRC/Mainland China/ 9 June 2011	RMB100,000	100.00%	Property development
浙江梁城置業有限公司 Zhejiang Liangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 23 June 2017	RMB50,000	100.00%	Investment holding
玉溪中梁城置業有限公司 Yuxi Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 25 October 2017	RMB20,000	65.80%	Property development
溫州市中梁盛置業有限公司 Wenzhou Zhongliangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 20 January 2014	RMB200,000	100.00%	Property development
溫州市梁軒置業有限公司 Wenzhou Liangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 27 January 2016	RMB20,000	93.19%	Property development
樂清市中梁城置業有限公司 Yueqing Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 24 January 2017	RMB20,000	51.74%	Property development
永嘉縣中梁城置業有限公司* Yongjia Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 25 July 2017	RMB50,000	45.12%	Property development
麗水市梁軒置業有限公司 Lishui Liangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 18 July 2017	RMB50,000	60.00%	Property development
松陽縣中梁華董置業有限公司* Songyang Zhongliang Huadong Property Co., Ltd.	(1)	PRC/Mainland China/ 27 September 2016	RMB20,000	33.40%	Property development
雲和縣中梁城置業有限公司 Yunhe Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 24 May 2017	RMB20,000	59.17%	Property development
福建中梁翼房地產開發有限公司 Fujian Zhongliangyi Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 20 January 2017	RMB50,000	60.00%	Property development
霞浦中梁府房地產開發有限公司 Xiapu Zhongliangfu Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 9 June 2017	RMB100,000	60.00%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
新昌縣中梁城置業有限公司 Xinchang Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 15 June 2016	RMB20,000	92.34%	Property development
蒙城縣中梁銘築置業有限公司 Mengcheng Zhongliang Mingzhu Property Co., Ltd.	(1)	PRC/Mainland China/ 7 April 2017	RMB50,000	74.00%	Property development
濉溪縣梁築置業有限公司 Suixi Liangzhu Property Co., Ltd.	(1)	PRC/Mainland China/ 13 June 2017	RMB71,420	65.80%	Property development
濉溪縣梁隆置業有限公司* Suixi Lianglong Property Co., Ltd.	(1)	PRC/Mainland China/ 24 July 2017	RMB50,000	48.02%	Property development
北京中梁房地產開發有限公司 Beijing Zhongliang Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 4 September 2017	RMB30,000	100.00%	Investment holding
南通市通州區梁宏置業有限公司 Nantong Tongzhou Lianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 29 November 2016	RMB50,000	62.01%	Property development
連雲港市聖承房地產開發有限公司 Lianyungang Shengcheng Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 10 January 2008	RMB70,000	59.13%	Property development
鹽城市中梁禦置業有限公司 Yancheng Zhongliangyu Property Co., Ltd.	(1)	PRC/Mainland China/ 29 August 2016	RMB50,000	88.33%	Property development
重慶匯庭房地產開發有限公司 Chongqing Huiting Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 21 August 2017	RMB28,570	56.00%	Property development
蘇州市宏邁置業有限公司 Suzhou Hongmai Property Co., Ltd.	(1)	PRC/Mainland China/ 2 May 2017	RMB50,000	94.00%	Investment holding
蘇州市宏雅置業有限公司* Suzhou Hongya Property Co., Ltd.	(1)	PRC/Mainland China/ 5 April 2017	RMB10,000	39.90%	Investment holding
蘇州梁軒置業有限公司 Suzhou Liangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 22 August 2016	RMB10,000	100.00%	Investment holding

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
蘇州市梁雨源置業有限公司 Suzhou Liangyuyuan Property Co., Ltd	(1)	PRC/Mainland China/ 15 July 2016	RMB10,000	53.17%	Investment holding
蘇州瑞都置業有限公司 Suzhou Ruidu Property Co., Ltd.	(1)	PRC/Mainland China/ 22 August 2016	RMB10,000	94.00%	Investment holding
蘇州恒融置業有限公司 Suzhou Hengrong Property Co., Ltd.	(1)	PRC/Mainland China/ 22 August 2016	RMB10,000	94.00%	Investment holding
揚州錦鴻置業有限公司 Yangzhou Jinhong Property Co., Ltd.	(1)	PRC/Mainland China/ 29 September 2017	RMB50,000	84.90%	Property development
泰安志錦置業有限公司* Taian Zhijin Property Co., Ltd.	(1)	PRC/Mainland China/ 26 July 2017	RMB10,000	45.85%	Property development
江蘇銀梧房地產開發有限公司* Jiangsu Yinwu Real Estate Development Limited	(1)	PRC/Mainland China/ 1 August 2014	RMB80,000	49.82%	Property development
安徽梁軒置業有限公司 Anhui Liangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 15 November 2016	RMB350,000	65.80%	Investment holding
安徽梁實置業有限公司 Anhui Liangshi Property Co., Ltd.	(1)	PRC/Mainland China/ 15 November 2016	RMB50,000	64.69%	Investment holding
河南倍福利置業有限公司 Henan Beifuli Property Co., Ltd.	(1)	PRC/Mainland China/ 10 July 2017	RMB60,000	64.00%	Property development
信陽梁鴻置業有限公司 Xinyang Lianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 23 May 2017	RMB60,000	56.40%	Property development
焦作梁盛置業有限公司 Jiaozuo Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 14 September 2017	RMB20,000	65.80%	Property development
許昌梁豫置業有限公司 Xuchang Liangyu Property Co., Ltd.	(1)	PRC/Mainland China/ 28 September 2017	RMB20,000	65.80%	Property development
池州梁宏置業有限公司 Chizhou Lianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 31 October 2017	RMB50,000	65.80%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
銅陵市梁冠置業有限責任公司 Tongling Liangguan Property Co., Ltd.	(1)	PRC/Mainland China/ 17 March 2017	RMB50,000	61.05%	Property development
宣城梁生置業有限公司 Xuancheng Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 26 July 2017	RMB10,000	54.71%	Property development
宣城梁春置業有限公司 Xuancheng Liangchun Property Co., Ltd.	(1)	PRC/Mainland China/ 7 November 2017	RMB20,000	65.80%	Property development
成都中梁置業有限公司 Chengdu Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 3 August 2017	RMB50,000	100.00%	Investment holding
達州梁實置業有限公司 Dazhou Liangshi Property Co., Ltd.	(1)	PRC/Mainland China/ 5 May 2017	RMB50,000	56.40%	Property development and property leasing
安寧中梁城置業有限公司 Anning Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 27 July 2017	RMB20,000	95.80%	Property development
安寧安梁置業有限公司 Anning Anliang Property Co., Ltd.	(1)	PRC/Mainland China/ 30 September 2017	RMB20,000	65.80%	Property development
昆明中梁達成房地產開發有限公司* Kunming Zhongliang Dacheng Real Estate Development Limited	(1)	PRC/Mainland China/ 18 October 2017	RMB10,000	33.57%	Property development
湖北中梁地產有限公司 Hubei Zhongliang Real Estate Co., Ltd.	(1)	PRC/Mainland China/ 26 June 2017	RMB30,000	100.00%	Investment holding
重慶宛亦房地產開發有限公司 Chongqing Wanyi Real Estate Development Limited	(1)	PRC/Mainland China/ 25 October 2017	RMB10,000	100.00%	Investment holding
襄陽錦潤祥房地產開發有限公司 Xiangyang Jinrunxiang Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 3 April 2015	RMB50,000	66.56%	Property development
杭州中梁恒置業有限公司 Hangzhou Zhongliangheng Property Co., Ltd.	(1)	PRC/Mainland China/ 28 June 2017	RMB50,000	100.00%	Investment holding
嘉興市梁楹置業有限公司 Jiaxing Liangying Property Co., Ltd.	(1)	PRC/Mainland China/ 5 September 2016	RMB500,000	61.74%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
嘉興市中梁通置業有限公司 Jiaxing Zhongliangtong Property Co., Ltd.	(1)	PRC/Mainland China/ 3 June 2016	RMB100,000	91.74%	Property development
桐鄉市中梁盛置業有限公司 Tongxiang Zhongliangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 9 August 2016	RMB50,000	91.48%	Property development
桐鄉市梁達置業有限公司 Tongxiang Liangda Property Co., Ltd.	(1)	PRC/Mainland China/ 2 September 2016	RMB50,000	91.33%	Property development
景德鎮梁泰置業有限公司 Jingdezhen Liangtai Property Co., Ltd.	(1)	PRC/Mainland China/ 16 May 2017	RMB50,000	91.00%	Property development
興國縣中梁城置業有限公司* Xingguo Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 28 June 2017	RMB10,000	47.01%	Property development
安福縣梁潤置業有限公司 Anfu Liangrun Property Co., Ltd.	(1)	PRC/Mainland China/ 18 August 2017	RMB50,000	70.00%	Property development
吉安市鑫瑞源房地產開發有限公司 Ji'an Xinruiyuan Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 6 April 2017	RMB10,000	51.00%	Property development
杭州中梁匯置業有限公司 Hangzhou Zhonglianghui Property Co., Ltd.	(1)	PRC/Mainland China/ 30 June 2017	RMB50,000	100.00%	Investment holding
淄博中梁龍置業有限公司 Zibo Zhonglianglong Property Co., Ltd.	(1)	PRC/Mainland China/ 18 August 2017	RMB10,000	54.54%	Property development
溫州市梁泰置業有限公司 Wenzhou Liangtai Property Co., Ltd.	(1)	PRC/Mainland China/ 19 April 2016	RMB50,000	89.30%	Property development
溫州市中梁龍置業有限公司 Wenzhou Zhonglianglong Property Co., Ltd.	(1)	PRC/Mainland China/ 20 December 2013	RMB200,000	100.00%	Property development
樂清市中梁恒置業有限公司 Yueqing Zhongliangheng Property Co., Ltd.	(1)	PRC/Mainland China/ 17 July 2017	RMB50,000	64.00%	Property development
樂清市中梁慶置業有限公司 Yueqing Zhongliangqing Property Co., Ltd.	(1)	PRC/Mainland China/ 23 October 2017	RMB50,000	70.00%	Property development

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台州市中梁龍置業有限公司 Taizhou Zhonglianglong Property Co., Ltd.	(1)	PRC/Mainland China/ 6 July 2016	RMB50,000	97.00%	Property development
台州市中梁皓置業有限公司 Taizhou Zhonglianghao Property Co., Ltd.	(1)	PRC/Mainland China/ 24 October 2016	RMB10,000	75.80%	Property development
台州市中梁慶置業有限公司 Taizhou Zhongliangqing Property Co., Ltd.	(1)	PRC/Mainland China/ 22 December 2016	RMB10,000	76.20%	Property development
台州市中梁軒置業有限公司 Taizhou Zhongliangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 11 January 2017	RMB10,000	62.14%	Property development
九江市中梁和置業有限公司 Jiujiang Zhonglianghe Property Co., Ltd.	(1)	PRC/Mainland China/ 14 February 2017	RMB20,000	52.34%	Property development
上饒市梁和置業有限公司 Shangrao Lianghe Property Co., Ltd.	(1)	PRC/Mainland China/ 24 August 2017	RMB20,000	63.00%	Property development
永修縣中梁和置業有限公司 Yongxiu Zhonglianghe Property Co., Ltd.	(1)	PRC/Mainland China/ 15 September 2017	RMB20,000	65.80%	Property development
上海中梁銘置業有限公司 Shanghai Zhongliangming Property Co., Ltd.	(1)	PRC/Mainland China/ 8 June 2015	RMB100,000	100.00%	Investment holding
上海中勍置業有限公司 Shanghai Zhongqing Property Co., Ltd.	(1)	PRC/Mainland China/ 29 July 2016	RMB10,000	87.24%	Investment holding
寧波拓城置業有限公司 Ningbo Tuocheng Property Co., Ltd.	(1)	PRC/Mainland China/ 9 May 2016	RMB10,000	90.41%	Investment holding
浙江中悅梁商置業有限公司 Zhejiang Zhongyue Liangshang Property Co., Ltd.	(1)	PRC/Mainland China/ 11 May 2016	RMB100,000	100.00%	Investment holding
杭州正悅實業有限公司 Hangzhou Zhengyue Industrial Co., Ltd.	(1)	PRC/Mainland China/ 23 March 2017	RMB10,000	94.00%	Investment holding
台州市黃岩梁泰置業有限公司 Taizhou Huangyan Liangtai Property Co., Ltd.	(1)	PRC/Mainland China/ 17 January 2017	RMB20,000	87.24%	Property development

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玉環市梁信置業有限公司 Yuhuan Liangxin Property Co., Ltd.	(1)	PRC/Mainland China/ 9 October 2017	RMB10,000	65.80%	Property development
臨海市梁泰置業有限公司 Linhai Liangtai Property Co., Ltd.	(1)	PRC/Mainland China/ 26 October 2017	RMB10,000	60.00%	Property development
舟山市拓城置業有限公司 Zhoushan Tuocheng Property Co., Ltd.	(1)	PRC/Mainland China/ 26 October 2017	RMB50,000	57.08%	Property development
德州梁宏置業有限公司 Dezhou Lianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 8 November 2017	RMB50,000	95.80%	Property development
濟源中梁宏耀置業有限公司 Jiyuan Zhongliang Hongyao Property Co., Ltd.	(1)	PRC/Mainland China/ 6 September 2017	RMB50,000	56.19%	Property development
許昌宏乾置業有限公司 Xuchang Hongqian Property Co., Ltd.	(1)	PRC/Mainland China/ 1 November 2017	RMB50,000	65.80%	Property development
浙江梁辰房地產開發有限公司 Zhejiang Liangchen Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 6 September 2017	RMB50,000	100.00%	Investment holding
平陽縣中梁府置業有限公司 Pingyang Zhongliangfu Property Co., Ltd.	(1)	PRC/Mainland China/ 12 August 2015	RMB100,000	100.00%	Property development and property leasing
平陽縣梁傑置業有限公司 Pingyang Liangjie Property Co., Ltd.	(1)	PRC/Mainland China/ 25 August 2017	RMB10,000	94.00%	Property development
蒼南縣中梁和置業有限公司 Cangnan Zhonglianghe Property Co., Ltd.	(1)	PRC/Mainland China/ 19 April 2017	RMB10,000	94.86%	Property development
蒼南縣中梁城置業有限公司 Cangnan Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 5 January 2016	RMB50,000	100.00%	Property development
蒼南縣中梁宏置業有限公司 Cangnan Zhonglianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 14 May 2015	RMB50,000	55.00%	Property development
蒼南縣中梁郡置業有限公司 Cangnan Zhongliangjun Property Co., Ltd.	(1)	PRC/Mainland China/ 12 May 2015	RMB50,000	100.00%	Property development

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蒼南縣中梁悦置業有限公司 Cangnan Zhongliangyue Property Co., Ltd.	(1)	PRC/Mainland China/ 23 November 2016	RMB30,000	56.40%	Property development
蒼南縣梁源置業有限公司 Cangnan Liangyuan Property Co., Ltd.	(1)	PRC/Mainland China/ 18 October 2017	RMB10,000	94.00%	Property development
瑞安市梁榮置業有限公司 Ruian Liangrong Property Co., Ltd.	(1)	PRC/Mainland China/ 1 April 2017	RMB10,000	91.05%	Property development
瑞安市梁潤置業有限公司 Ruian Liangrun Property Co., Ltd.	(1)	PRC/Mainland China/ 6 June 2017	RMB10,000	94.00%	Property development
湖州市中梁嶼置業有限公司 Huzhou Zhongliangyu Property Co., Ltd.	(1)	PRC/Mainland China/ 12 October 2017	RMB10,000	79.00%	Property development
麗水市梁瑞置業有限公司 Lishui Liangrui Property Co., Ltd.	(1)	PRC/Mainland China/ 15 August 2016	RMB20,000	70.00%	Property development
溫州市中梁慶置業有限公司 Wenzhou Zhongliangqing Property Co., Ltd.	(1)	PRC/Mainland China/ 18 September 2014	RMB200,000	100.00%	Property development
舟山市中梁宏置業有限公司 Zhoushan Zhonglianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 1 July 2016	RMB50,000	100.00%	Property development
商丘宏地置業有限公司 Shangqiu Hongdi Property Co., Ltd.	(1)	PRC/Mainland China/ 20 October 2017	RMB50,000	80.00%	Property development
煙台偉成房地產開發有限公司 Yantai Weicheng Real Estate Development Limited	(1)	PRC/Mainland China/ 23 May 2008	RMB35,000	70.00%	Property development
南充市中梁軒置業有限公司 Nanchong Zhongliangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 6 December 2017	RMB50,000	65.80%	Property development
舟山市灃澤置業有限公司 Zhoushan Fengze Property Co., Ltd.	(1)	PRC/Mainland China/ 27 December 2017	RMB50,000	65.80%	Property development
泰州市中梁盛置業有限公司 Taizhou Zhongliangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 19 December 2017	RMB50,000	74.00%	Property development

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福建家景置業有限公司* Fujian Jiajing Property Co., Ltd.	(1)	PRC/Mainland China/ 9 March 2009	RMB110,000	35.70%	Property development
福建中梁房地產開發有限公司 Fujian Zhongliang Real Estate Development Limited	(1)	PRC/Mainland China/ 18 December 2017	RMB50,000	100.00%	Investment holding
濮陽梁泰置業有限公司 Puyang Liangtai Property Co., Ltd.	(1)	PRC/Mainland China/ 9 October 2017	RMB20,000	65.80%	Property development
上饒市梁宸置業有限公司 Shangrao Liangchen Property Co., Ltd.	(1)	PRC/Mainland China/ 10 January 2018	RMB20,000	94.00%	Property development
銀川市梁潤置業有限公司 Yinchuan Liangrun Property Co., Ltd.	(1)	PRC/Mainland China/ 2 January 2018	RMB50,000	100.00%	Property development
榆林梁潤置業有限公司 Yulin Liangrun Property Co., Ltd.	(1)	PRC/Mainland China/ 17 January 2018	RMB50,000	97.42%	Property development
宿州梁榮置業有限公司 Suzhou Liangrong Property Co., Ltd.	(1)	PRC/Mainland China/ 5 January 2018	RMB10,000	100.00%	Property development
常德市中梁順房地產開發有限公司 Changde Zhongliangshun Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 12 January 2018	RMB50,000	65.80%	Property development
安吉梁安置業有限公司* Anji Liang'an Property Co., Ltd.	(1)	PRC/Mainland China/ 9 March 2018	RMB10,000	47.94%	Property development
安吉中梁置業有限公司* Anji Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 6 February 2018	RMB10,000	36.66%	Property development
臨汾市中梁城房地產開發有限公司 Linfen Zhongliangcheng Real Estate Development Limited	(1)	PRC/Mainland China/ 1 March 2018	RMB90,000	70.00%	Property development
鹽城凱信置業有限公司 Yancheng Kaixin Property Co., Ltd.	(1)	PRC/Mainland China/ 8 February 2018	RMB26,667	52.00%	Property development
鹽城市中梁信置業有限公司 Yancheng Zhongliangxin Property Co., Ltd.	(1)	PRC/Mainland China/ 15 March 2018	RMB50,000	94.00%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
濱州市順安置業有限公司* Binzhou Shun'an Property Co., Ltd.	(1)	PRC/Mainland China/ 19 October 2017	RMB10,000	35.70%	Property development
新沂市祥都置業有限公司 Xinyi Xiangdu Property Co., Ltd.	(1)	PRC/Mainland China/ 4 May 2018	RMB20,000	60.00%	Property development
蕪湖縣梁碩置業有限公司 Wuhu Liangshuo Property Co., Ltd.	(1)	PRC/Mainland China/ 28 April 2018	RMB20,000	76.00%	Property development
禹州梁信置業有限公司 Yuzhou Liangxin Property Co., Ltd.	(1)	PRC/Mainland China/ 11 April 2018	RMB20,000	94.00%	Property development
安康康梁置業有限公司 Ankang Kangliang Property Co., Ltd.	(1)	PRC/Mainland China/ 11 February 2018	RMB50,000	94.00%	Property development
眉山市中恒置業有限公司 Meishan Zhongheng Property Co., Ltd.	(1)	PRC/Mainland China/ 24 October 2017	RMB8,000	51.20%	Property development
綿陽仲梁置業有限公司 Mianyang Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 9 January 2018	RMB50,000	65.80%	Property development
平涼梁城置業有限公司 Pingliang Liangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 27 March 2018	RMB50,000	65.80%	Property development
四川富茂置業有限公司 Sichuan Fumao Property Co., Ltd.	(1)	PRC/Mainland China/ 20 March 2014	RMB50,000	67.00%	Property development
昭通市中頌梁居置業有限公司 Zhaotong Zhongsong Liangju Property Co., Ltd.	(1)	PRC/Mainland China/ 24 May 2018	RMB10,000	100.00%	Property development
包頭梁泉合業房地產開發有限公司* Baotou Liangquan Heye Real Estate Development Limited	(1)	PRC/Mainland China/ 27 April 2018	RMB50,000	42.30%	Property development
宜城市禦融置業有限公司* Yicheng Yurong Property Co., Ltd.	(1)	PRC/Mainland China/ 5 February 2018	RMB62,340	45.12%	Property development

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株洲中梁房地產開發有限公司* Zhuzhou Zhongliang Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 26 March 2018	RMB50,000	35.80%	Property development
保山中梁置業有限公司 Baoshan Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 31 January 2018	RMB50,000	70.00%	Property development
大理中梁置業有限公司 Dali Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 28 April 2018	RMB50,000	90.00%	Property development
湖州市梁盛置業有限公司 Huzhou Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 2 March 2018	RMB10,000	94.00%	Property development
永康市華董中梁置業有限公司 Yongkang Huadong Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 22 January 2018	RMB50,000	70.00%	Property development
岳陽市中梁廣福置業有限公司* Yueyang Zhongliang Guangfu Property Co., Ltd.	(1)	PRC/Mainland China/ 29 March 2018	RMB100,000	31.44%	Property development
佛山高明梁盛置業有限公司 Foshan Gaoming Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 2 April 2018	RMB10,000	94.00%	Property development
溫州市嘉源置業有限公司* Wenzhou Jiayuan Property Co., Ltd.	(1)	PRC/Mainland China/ 28 December 2017	RMB10,000	35.00%	Property development
翁源梁盛置業有限公司 Wengyuan Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 25 April 2018	RMB10,000	62.04%	Property development
聊城梁宏置業有限公司 Liaocheng Lianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 4 June 2018	RMB50,000	85.00%	Property development
許昌中梁宏盛置業有限公司 Xuchang Zhongliang Hongsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 8 May 2018	RMB50,000	60.00%	Property development
江門市中梁置業有限公司 Jiangmen Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 23 April 2018	RMB50,000	56.40%	Property development

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漳州中梁夢置業有限公司 Zhangzhou Zhongliangmeng Property Co., Ltd.	(1)	PRC/Mainland China/ 26 January 2018	RMB50,000	65.80%	Property development
台州市中梁宸置業有限公司 Taizhou Zhongliangchen Property Co., Ltd.	(1)	PRC/Mainland China/ 9 November 2016	RMB50,000	65.80%	Property development
樂清市中梁昊置業有限公司 Yueqing Zhonglianghao Property Co., Ltd.	(1)	PRC/Mainland China/ 7 November 2014	RMB50,000	100.00%	Property development
金華市中梁豪置業有限公司 Jinhua Zhonglianghao Property Co., Ltd.	(2)	PRC/Mainland China/ 28 September 2015	RMB50,000	65.80%	Property development
臨海市中梁源置業有限公司 Linhai Zhongliangyuan Property Co., Ltd.	(3)	PRC/Mainland China/ 16 September 2015	RMB50,000	94.00%	Property development
杭州元茂置業有限公司 Hangzhou Yuanmao Property Co., Ltd.	(4)	PRC/Mainland China/ 30 June 2016	RMB250,000	77.95%	Property development
東台顧家置業有限公司 Dongtai Gujia Property Co., Ltd.	(5)	PRC/Mainland China/ 24 June 2014	RMB50,000	81.96%	Property development and property leasing
張家港市中梁軒置業有限公司 Zhangjiagang Zhongliangxuan Property Co., Ltd.	(6)	PRC/Mainland China/ 9 May 2016	RMB50,000	64.24%	Property development
無錫錦華置業有限公司 Wuxi Jinhua Property Co., Ltd.	(7)	PRC/Mainland China/ 17 August 2016	RMB50,000	70.73%	Property development
徐州旭潤置業有限公司 Xuzhou Xurun Property Co., Ltd.	(8)	PRC/Mainland China/ 6 December 2016	RMB20,000	94.00%	Property development
徐州旭鑫置業有限公司 Xuzhou Xuxin Property Co., Ltd.	(9)	PRC/Mainland China/ 30 November 2016	RMB20,000	94.00%	Property development
蘇州瑞展置業開發有限公司* Suzhou Ruizhan Property Development Co., Ltd.	(10)	PRC/Mainland China/ 13 June 2016	RMB50,000	30.00%	Property development
蘇州鼎欣吳地房地產有限責任公司 Suzhou Dingxin Wudi Real Estate Development Co., Ltd.	(10)	PRC/Mainland China/ 1 August 2007	RMB500,000	67.00%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
江陰華賢置業有限公司 Jiangyin Huaxian Property Co., Ltd.	(11)	PRC/Mainland China/ 15 May 2015	RMB50,000	70.00%	Property development
蕪湖梁宏置業有限公司 Wuhu Lianghong Property Co., Ltd.	(12)	PRC/Mainland China/ 31 August 2016	RMB10,000	52.55%	Property development
平湖市中梁瑞置業有限公司 Pinghu Zhongliangrui Property Co., Ltd.	(13)	PRC/Mainland China/ 5 September 2016	RMB50,000	69.54%	Property development
開化縣中梁泰置業有限公司 Kaihua Zhongliangtai Property Co., Ltd.	(14)	PRC/Mainland China/ 11 July 2016	RMB50,000	58.85%	Property development
海寧市御鴻置業有限公司* Haining Yuhong Property Co., Ltd.	(15)	PRC/Mainland China/ 4 November 2016	RMB50,000	48.67%	Property development
海寧市中梁御置業有限公司 Haining Zhongliangyu Property Co., Ltd.	(16)	PRC/Mainland China/ 13 June 2016	RMB50,000	95.10%	Property development
三門縣中梁恒置業有限公司 Sanmen Zhongliangheng Property Co., Ltd.	(17)	PRC/Mainland China/ 30 March 2016	RMB30,000	70.60%	Property development and property leasing
衢州市中梁創置業有限公司 Quzhou Zhongliangchuang Property Co., Ltd.	(18)	PRC/Mainland China/ 29 April 2016	RMB50,000	100.00%	Property development
樂清市中梁信置業有限公司 Yueqing Zhongliangxin Property Co., Ltd.	(19)	PRC/Mainland China/ 30 December 2015	RMB50,000	65.00%	Property development
樂清市中梁志置業有限公司 Yueqing Zhongliangzhi Property Co., Ltd.	(19)	PRC/Mainland China/ 6 July 2016	RMB50,000	59.60%	Property development
樂清市中梁軒置業有限公司 Yueqing Zhongliangxuan Property Co., Ltd.	(20)	PRC/Mainland China/ 14 July 2016	RMB50,000	74.79%	Property development
台州市中梁源置業有限公司 Taizhou Zhongliangyuan Property Co., Ltd.	(20)	PRC/Mainland China/ 10 May 2016	RMB50,000	93.61%	Property development
寧波市中梁宏置業有限公司 Ningbo Zhonglianghong Property Co., Ltd.	(21)	PRC/Mainland China/ 22 February 2016	RMB50,000	92.68%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
余姚市中梁拓城置業有限公司 Yuyao Zhongliang Tuocheng Property Co., Ltd.	(22)	PRC/Mainland China/ 7 December 2016	RMB10,000	52.55%	Property development
余姚市中梁宏置業有限公司 Yuyao Zhonglianghong Property Co., Ltd.	(22)	PRC/Mainland China/ 5 January 2016	RMB50,000	97.90%	Property development
寧波中梁華城置業有限公司 Ningbo Zhongliang Huacheng Property Co., Ltd.	(23)	PRC/Mainland China/ 9 August 2016	RMB10,000	90.41%	Property development
諸暨市中梁置業有限公司 Zhuji Zhongliang Property Co., Ltd.	(24)	PRC/Mainland China/ 12 April 2016	RMB150,000	92.94%	Property development
諸暨市梁浩置業有限公司 Zhuji Lianghao Property Co., Ltd.	(24)	PRC/Mainland China/ 31 May 2016	RMB30,000	92.88%	Property development
上海中梁地產集團有限公司 Shanghai Zhongliang Real Estate Group Co., Ltd.	(25)	PRC/Mainland China/ 14 July 2009	RMB300,000	100.00%	Investment holding
蘭溪蘭悦置業有限公司 Lanxi Lanyue Property Co., Ltd.	(26)	PRC/Mainland China/ 10 February 2017	RMB40,000	51.75%	Property development and property leasing
青田梁悦置業有限公司 Qingtian Liangyue Property Co., Ltd.	(27)	PRC/Mainland China/ 9 February 2017	RMB10,000	100.00%	Property development
靖江中梁紅置業有限公司 Jingjiang Zhonglianghong Property Co., Ltd.	(28)	PRC/Mainland China/ 13 February 2017	RMB50,000	61.04%	Property development
江陰宏揚置業有限公司 Jiangyin Hongyang Property Co., Ltd.	(29)	PRC/Mainland China/ 2 March 2017	RMB50,000	100.00%	Property development
宜興市澄希置業有限公司 Yixing Chengxi Property Co., Ltd.	(30)	PRC/Mainland China/ 27 May 2017	RMB50,000	100.00%	Property development
泰州市華達置業有限公司 Taizhou Huada Property Co., Ltd.	(31)	PRC/Mainland China/ 15 April 2016	RMB20,000	70.00%	Property development
徐州中梁禦置業有限公司 Xuzhou Zhongliangyu Property Co., Ltd.	(32)	PRC/Mainland China/ 17 April 2017	RMB750,000	90.40%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
邳州寶德置業有限公司* Pizhou Baode Property Co., Ltd.	(32)	PRC/Mainland China/ 30 March 2017	RMB50,000	46.09%	Property development
常州市瑞威置業有限公司* Changzhou Ruiwei Property Co., Ltd.	(33)	PRC/Mainland China/ 7 December 2010	RMB495,535	39.90%	Property development
南京梁鼎企業管理諮詢有限公司 Nanjing Liangding Management Consulting Co., Ltd.	(34)	PRC/Mainland China/ 29 June 2017	RMB30,000	100.00%	Investment holding
臨沂中梁龍置業有限公司 Linyi Zhonglianglong Property Co., Ltd.	(35)	PRC/Mainland China/ 10 October 2017	RMB275,000	70.00%	Property development
貴港中梁房地產開發有限公司* Guigang Zhongliang Real Estate Development Co., Ltd.	(35)	PRC/Mainland China/ 31 October 2017	RMB10,000	49.00%	Property development
贛州梁寧置業有限公司 Ganzhou Liangning Property Co., Ltd.	(36)	PRC/Mainland China/ 4 September 2017	RMB15,000	55.80%	Property development
贛州梁築置業有限公司 Ganzhou Liangzhu Property Co., Ltd.	(36)	PRC/Mainland China/ 11 May 2017	RMB15,000	61.81%	Property development and property leasing
贛州梁源置業有限公司 Ganzhou Liangyuan Property Co., Ltd.	(36)	PRC/Mainland China/ 17 May 2017	RMB4,500	61.01%	Property development
宣城梁鴻置業有限公司 Xuancheng Lianghong Property Co., Ltd.	(37)	PRC/Mainland China/ 16 February 2017	RMB20,000	65.80%	Property development
蕪湖梁盛置業有限公司* Wuhu Liangsheng Property Co., Ltd.	(38)	PRC/Mainland China/ 31 August 2017	RMB50,000	47.06%	Property development
蕪湖嵐宇置業有限公司 Wuhu Lanyu Property Co., Ltd.	(38)	PRC/Mainland China/ 15 December 2016	RMB50,000	94.00%	Property development
蕪湖梁冠置業有限公司 Wuhu Liangguan Property Co., Ltd.	(38)	PRC/Mainland China/ 6 January 2017	RMB50,000	64.69%	Property development
恩施市康城房地產開發有限公司 Enshi Kangcheng Real Estate Development Co., Ltd.	(39)	PRC/Mainland China/ 1 February 2016	RMB10,000	65.80%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
長沙禦融房地產開發有限公司 Changsha Yurong Real Estate Development Co., Ltd.	(40)	PRC/Mainland China/ 9 June 2017	RMB50,000	51.00%	Property development and property leasing
衡陽梁宏房地產開發有限公司 Hengyang Lianghong Real Estate Development Co., Ltd.	(41)	PRC/Mainland China/ 21 September 2017	RMB50,000	70.00%	Property development
撫州市中梁軒置業有限公司 Fuzhou Zhongliangxuan Property Co., Ltd.	(42)	PRC/Mainland China/ 1 April 2017	RMB50,000	51.73%	Property development
青田金梁置業有限公司 Qingtian Jinliang Property Co., Ltd.	(43)	PRC/Mainland China/ 23 June 2016	RMB10,000	80.00%	Property development and property leasing
臨海市中梁信置業有限公司 Linhai Zhongliangxin Property Co., Ltd.	(44)	PRC/Mainland China/ 16 January 2017	RMB10,000	77.24%	Property development
寧波石成置業有限公司 Ningbo Shicheng Property Co., Ltd.	(45)	PRC/Mainland China/ 16 December 2016	RMB10,000	56.40%	Property development
象山思成置業有限公司 Xiangshan Sicheng Development Property Co., Ltd.	(45)	PRC/Mainland China/ 9 June 2017	RMB10,000	80.00%	Property development
浙江黃氏房地產開發有限公司 Zhejiang Huangshi Real Estate Development Property Co., Ltd.	(46)	PRC/Mainland China/ 27 October 2010	RMB50,000	56.40%	Property development
溫嶺市中梁豪置業有限公司 Wenling Zhonglianghao Property Co., Ltd.	(47)	PRC/Mainland China/ 3 February 2017	RMB10,000	67.00%	Property development
連雲港梁益房地產開發有限公司 Lianyungang Liangyi Real Estate Development Co., Ltd.	(48)	PRC/Mainland China/ 26 July 2018	RMB50,000	100.00%	Property development
贛州梁都置業有限公司 Ganzhou Liangdu Property Co., Ltd.	(49)	PRC/Mainland China/ 16 March 2018	RMB10,000	100.00%	Property development
贛州梁盛置業有限公司 Ganzhou Liangsheng Property Co., Ltd.	(50)	PRC/Mainland China/ 7 February 2017	RMB15,000	61.44%	Property development
贛州梁宏置業有限公司 Ganzhou Lianghong Property Co., Ltd.	(50)	PRC/Mainland China/ 30 December 2016	RMB15,000	65.80%	Property development and property leasing

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
贛州瑞禦置業有限公司 Ganzhou Ruiyu Property Co., Ltd.	(51)	PRC/Mainland China/ 19 July 2017	RMB10,000	100.00%	Property development
寧國梁生置業有限公司* Ningguo Liangsheng Property Co., Ltd.	(52)	PRC/Mainland China/ 18 December 2017	RMB20,000	38.51%	Property development
隨州梁泰地產有限公司 Suizhou Liangtai Real Estate Co., Ltd.	(53)	PRC/Mainland China/ 7 May 2018	RMB30,000	50.80%	Property development
興國縣梁鵬置業有限公司 Xingguo Liangpeng Property Co., Ltd.	(54)	PRC/Mainland China/ 14 November 2017	RMB50,000	100.00%	Property development
東陽市中梁泰和置業有限公司 Dongyang Zhongliang Taihe Property Co., Ltd.	(55)	PRC/Mainland China/ 25 January 2018	RMB200,000	75.00%	Property development
東陽市中梁軒置業有限公司 Dongyang Zhongliangxuan Property Co., Ltd.	(55)	PRC/Mainland China/ 26 October 2017	RMB50,000	55.00%	Property development
上饒市天成置業有限公司* Shangrao Tiancheng Property Co., Ltd.	(56)	PRC/Mainland China/ 20 October 2017	RMB10,000	30.80%	Property development
温州市梁安置業有限公司 Wenzhou Liang'an Property Co., Ltd.	(57)	PRC/Mainland China/ 8 June 2015	RMB100,000	100.00%	Property development and property leasing
樅陽梁宏置業有限公司 Zongyang Lianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 27 June 2018	RMB50,000	100.00%	Property development
温嶺市中梁泰置業有限公司* Wenling Zhongliangtai Property Co., Ltd.	(1)	PRC/Mainland China/ 20 December 2017	RMB50,000	48.00%	Property development
上饒市林和置業有限公司 Shangrao Linhe Property Co., Ltd.	(1)	PRC/Mainland China/ 27 February 2018	RMB20,000	94.00%	Property development
肇慶市梁浩置業有限公司 Zhaoqing Lianghao Property Co., Ltd.	(1)	PRC/Mainland China/ 1 June 2018	RMB50,000	100.00%	Property development
漳州中梁房地產開發有限公司 Zhangzhou Zhongliang Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 8 June 2018	RMB50,000	70.00%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
慶元縣中梁城置業有限公司 Qingyuan Zhongliangcheng Property Co., Ltd.	(1)	PRC/Mainland China/ 3 July 2018	RMB50,000	64.64%	Property development
普洱中梁瑞置業有限公司 Puer Zhongliangrui Property Co., Ltd.	(1)	PRC/Mainland China/ 26 June 2018	RMB20,000	100.00%	Property development
徐州祥寧置業有限公司 Xuzhou Xiangning Property Co., Ltd.	(1)	PRC/Mainland China/ 14 June 2018	RMB20,000	94.00%	Property development
棗莊中梁置業有限公司 Zaozhuang Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 13 June 2018	RMB50,000	65.80%	Property development
德清中梁宏置業有限公司 Deqing Zhonglianghong Property Co., Ltd.	(1)	PRC/Mainland China/ 6 June 2018	RMB50,000	95.00%	Property development
鄂州梁泰地產有限公司 Ezhou Liangtai Real Estate Co., Ltd.	(1)	PRC/Mainland China/ 22 June 2018	RMB30,000	65.00%	Property development
平陽縣梁博置業有限公司 Pingyang Liangbo Property Co., Ltd.	(1)	PRC/Mainland China/ 22 June 2018	RMB10,000	100.00%	Property development
武平縣中梁隆置業有限公司 Wuping Zhonglianglong Property Co., Ltd.	(1)	PRC/Mainland China/ 22 June 2018	RMB10,000	100.00%	Property development
萊蕪中梁置業有限公司 Laiwu Zhongliang Property Co., Ltd.	(1)	PRC/Mainland China/ 15 June 2018	RMB10,000	70.50%	Property development
銅川中梁宏業置業有限公司 Tongchuan Zhongliang Hongye Property Co., Ltd.	(1)	PRC/Mainland China/ 27 June 2018	RMB200,000	65.80%	Property development
唐山梁鼎房地產開發有限公司 Tangshan Liangding Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 19 June 2018	RMB10,000	64.75%	Property development
榆林泰興房地產開發有限公司 Yulin Taixing Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 14 December 2017	RMB50,000	67.62%	Property development
高州梁盛置業有限公司 Gaozhou Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 15 June 2018	RMB10,000	100.00%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
樂清市梁智置業有限公司 Yueqing Liangzhi Property Co., Ltd.	(1)	PRC/Mainland China/ 17 July 2018	RMB50,000	100.00%	Property development
平陽縣梁坤置業有限公司 Pingyang Liangkun Property Co., Ltd.	(1)	PRC/Mainland China/ 26 July 2018	RMB10,000	100.00%	Property development
海門市源豐置業有限公司 Haimen Yuangfeng Property Co., Ltd.	(1)	PRC/Mainland China/ 3 July 2018	RMB20,000	56.40%	Property development
瀏陽梁盛房地產開發有限公司 Liuyang Liangsheng Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 23 July 2018	RMB10,000	100.00%	Property development
淄博梁軒置業有限公司 Zibo Liangxuan Property Co., Ltd.	(1)	PRC/Mainland China/ 25 July 2018	RMB10,000	100.00%	Property development
南陽中梁宏城置業有限公司** Nanyang Zhongliang Hongcheng Property Co., Ltd. ("Nanyang Zhongliang")	(1)	PRC/Mainland China/ 21 August 2018	RMB50,000	50.00%	Property development
玉山縣梁輝置業有限公司 Yushan Lianghui Property Co., Ltd.	(1)	PRC/Mainland China/ 13 July 2018	RMB20,000	100.00%	Property development
蒼南縣梁澤置業有限公司 Cangnan Liangze Property Co., Ltd.	(1)	PRC/Mainland China/ 31 July 2018	RMB10,000	100.00%	Property development
平陽縣梁江置業有限公司 Pingyang Liangjiang Property Co., Ltd.	(1)	PRC/Mainland China/ 21 August 2018	RMB10,000	100.00%	Property development
潮州梁盛置業有限公司 Chaozhou Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 17 August 2018	RMB10,000	100.00%	Property development
廣西梁貴置業有限公司 Guangxi Lianggui Property Co., Ltd.	(1)	PRC/Mainland China/ 14 August 2018	RMB50,000	100.00%	Property development
武義縣中梁創置業有限公司 Wuyi Zhongliangchuang Property Co., Ltd.	(1)	PRC/Mainland China/ 20 August 2018	RMB200,000	100.00%	Property development
欽州梁淇置業有限公司 Qinzhou Liangqi Property Co., Ltd.	(1)	PRC/Mainland China/ 13 August 2018	RMB10,000	100.00%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital ('000)	Actual percentage of equity interest attributable to the Company	Principal activities
上海待岳實業有限公司 Shanghai Daiyue Industrial Co., Ltd.	(1)	PRC/Mainland China/ 14 May 2018	RMB1,000	100.00%	Investment holding
溫州市梁彤置業有限公司 Wenzhou Liangtong Property Co., Ltd.	(1)	PRC/Mainland China/ 21 November 2018	RMB10,000	51.00%	Property development
南陽中梁漢承置業有限公司* Nanyang Zhongliang Hancheng Property Co., Ltd.	(1)	PRC/Mainland China/ 17 October 2018	RMB50,000	30.00%	Property development
沈陽梁泰房地產開發有限公司 Shenyang Liangtai Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 15 November 2018	RMB10,000	100.00%	Property development
宿遷市梁錫旺置業有限公司 Suqian Liangxiwang Property Co., Ltd.	(1)	PRC/Mainland China/ 19 November 2018	RMB20,000	100.00%	Property development
邳州鑫德房地產開發有限公司* Pizhou Xinde Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 16 November 2018	RMB20,000	46.09%	Property development
揚州梁瑞置業有限公司 Yangzhou Liangrui Property Co., Ltd.	(1)	PRC/Mainland China/ 9 October 2018	RMB20,000	95.80%	Property development
常州梁盛置業有限公司 Changzhou Liangsheng Property Co., Ltd.	(1)	PRC/Mainland China/ 10 October 2018	RMB20,000	70.00%	Property development
桃江縣梁瑞房地產開發有限公司 Taojiang Liangrui Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 14 November 2018	RMB10,000	100.00%	Property development
甘肅恒梁房地產開發有限公司 Gansu Hengliang Real Estate Development Co., Ltd.	(1)	PRC/Mainland China/ 9 October 2018	RMB50,000	100.00%	Property development
湖北明昌梁置業有限公司 Hubei Mingchangliang Property Co., Ltd.	(1)	PRC/Mainland China/ 6 December 2018	RMB30,000	100.00%	Property development
温嶺市中梁源置業有限公司 Wenling Zhongliangyuan Property Co., Ltd.	(1)	PRC/Mainland China/ 25 June 2015	RMB50,000	70.80%	Property development
贛州梁隆置業有限公司 Ganzhou Lianglong Property Co., Ltd.	(36)	PRC/Mainland China/ 8 August 2017	RMB10,000	86.93%	Property development

* 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 including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

** Nanyang Zhongliang is accounted for as the subsidiary of the Group because the Group owns 51% of the voting rights according to the articles of association of Nanyang Zhongliang and the Group has exposure or rights to variable returns from its involvement with Nanyang Zhongliang, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over Nanyang Zhongliang.

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

(2) The statutory financial statements of this entity for the years ended 31 December 2016 prepared in accordance with PRC generally accepted accounting principles ("GAAP") in the PRC, and regulations were audited by Jinhua Jinzhengda United Certified Public Accountants (金華金正大聯合會計師事務所), a certified public accounting firm registered in the PRC.

(3) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Taizhou Zhongheng Certified Public Accountants Co., Ltd. (台州中衡會計師事務所有限公司) and Wenzhou Zhongyuan Lide Certified Public Accountants (溫州中源立德會計師事務所), respectively, certified public accounting firms registered in the PRC.

(4) The statutory financial statements of these entities for the years ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Zhejiang Zhongrui Wisdom Certified Public Accountants (浙江中瑞唯斯達會計師事務所), and for the year ended 31 December 2017 were audited by Hangzhou Yongxin Certified Public Accountants Co.,Ltd (杭州永信會計師事務所有限公司), certified public accounting firms registered in the PRC.

(5) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Yancheng Zhongbo Certified Public Accountants (鹽城中博華聯合會計師事務所), a certified public accounting firm registered in the PRC.

(6) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Jiangyin Bridge Certified Public Accountants Co., Ltd. (江陰大橋會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(7) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Wuxi Huaxia Zhongcheng Certified Public Accountants (無錫華夏中誠會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(8) The statutory financial statements of this entity for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with PRC GAAP and regulations were audited by Xuzhou Xunda Certified Public Accountants (徐州迅達會計師事務所), Shanghai Tianxing Certified Public Accountants (上海天行會計師事務所(普通合夥)) and Shanghai Tianxing Certified Public Accountants (上海天行會計師事務所(普通合夥)), respectively, certified public accounting firms registered in the PRC.

(9) The statutory financial statements of this entity for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with PRC GAAP and regulations were audited by Xuzhou Yiming Certified Public Accountants General Partnership (徐州一鳴會計師事務所(普通合夥)), Shanghai Tianxing Certified Public Accountants (上海天行會計師事務所(普通合夥)) and Shanghai Tianxing Certified Public Accountants (上海天行會計師事務所(普通合夥)), respectively, certified public accounting firms registered in the PRC.

(10) The statutory financial statements of these entities for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Suzhou Xingyuan United Certified Public Accountants General Partnership (蘇州興遠聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(11) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Jiangyin Bridge Certified Public Accountants Co., Ltd. (江陰大橋會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(12) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Anhui New Pingtai certified Public Accountants Co., Ltd. (安徽新平泰會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(13) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Jiaxing Jiacheng United Certified Public Accountants (嘉興市嘉誠聯合會計師事務所), a certified public accounting firms registered in the PRC.

(14) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Shaoxing Tianhe United Certified Public Accountants (紹興天和聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(15) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Zhejiang Zhengjian Certified Public Accountants Co., Ltd. (浙江正健會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(16) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Wenzhou Zhongyuan Lide Certified Public Accountants (溫州中源立德會計師事務所), a certified public accounting firm registered in the PRC.

(17) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Taizhou City Zhedong Certified Public Accountants General Partnership (台州市浙東會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(18) The statutory financial statements of this entity for the year ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Shaoxing Tianhe United Certified Public Accountants (紹興天和聯合會計師事務所), a certified public accounting firm registered in the PRC.

(19) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Wenzhou Zhongyuan Lide Certified Public Accountants (溫州中源立德會計師事務所), a certified public accounting firm registered in the PRC.

(20) The statutory financial statements of these entities for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Wenzhou Chengda Certified Public Accountants (溫州誠達會計師事務所), a certified public accounting firm registered in the PRC.

(21) The statutory financial statements of this entity for the year ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Ningbo Chenglian Certified Public Accountants (寧波誠聯會計師事務所), a certified public accounting firm registered in the PRC.

(22) The statutory financial statements of these entities for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Yuyao Yongxin Certified Public Accountants (余姚永信會計師事務所), a certified public accounting firm registered in the PRC.

(23) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Ningbo Tianyuan Certified Public Accountants (寧波天元會計師事務所有限公司) and Ningboshi Yinzhou Yinhuihao Certified Public Accountants (寧波市鄞州鄞匯浩會計師事務所), respectively, certified public accounting firms registered in the PRC.

(24) The statutory financial statements of these entities for the years ended 31 December 2016 prepared in accordance with PRC GAAP and regulations were audited by Zhuji Tianyang Certified Public Accountants Co., Ltd. (諸暨天陽會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(25) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Zhongxing Caiguanghua Certified Public Accountants Shanghai LLP (中興財光華會計事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC.

(26) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Lanxi Kai Tai Certified Public Accountants Co.,Ltd. (蘭溪開泰會計師事務所有限責任公司), a certified public accounting firm registered in the PRC.

(27) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Qingtian Tianwei Certified Public Accountants Co., Ltd. (青田天威會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(28) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Yangzhou Chengrui Certified Public Accountants (揚州誠瑞會計師事務所), a certified public accounting firm registered in the PRC.

(29) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Jiangyin Bridge Certified Public Accountants Co., Ltd. (江陰大橋會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(30) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Wuxi Dafang Certified Public Accountants General Partnership (無錫大方會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(31) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Taizhou Mingrui Certified Public Accountants Co., Ltd. (泰州市明瑞會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(32) The statutory financial statements of these entities for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Shanghai Tianxing Certified Public Accountants General Partnership (上海天行會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(33) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Changzhou Xinhua Ruihe United Certified Public Accountants (常州市新華瑞聯合會計師事務所), a certified public accounting firm registered in the PRC.

(34) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Tianxing Certified Tax Agency Co., Ltd. (江蘇天行稅務師事務所有限公司), a certified public accounting firm registered in the PRC.

(35) The statutory financial statements of these entities for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Reanda Certified Public Accountants Jiangxi LLP (利安達會計師事務所(特殊普通合夥)江西分所), a certified public accounting firm registered in the PRC.

(36) The statutory financial statements of these entities for the year ended 31 December 2017 and 2018 prepared in accordance with PRC GAAP and regulations were audited by Jiangxi Huatai Certified Public Accountants Co., Ltd. (江西華泰會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(37) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Anhui Hengjian Certified Public Accountants General Partnership (安徽宣寧會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(38) The statutory financial statements of these entities for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Anhui New Pingtai Certified Public Accountants Co., Ltd. (安徽新平泰會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(39) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Enschde Hong Certified Public Accountants (恩施德泓會計師事務所), a certified public accounting firm registered in the PRC.

(40) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Hunan Ruinuo Certified Public Accountants Co., Ltd. (湖南瑞諾會計師事務所有限責任公司), a certified public accounting firms registered in the PRC.

(41) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Hunan Liangcai Certified Public Accountants (湖南良才聯合會計師事務所), a certified public accounting firm registered in the PRC.

(42) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Fuzhou Hongputai United Certified Public Accountants (撫州宏普泰聯合會計師事務所), a certified public accounting firm registered in the PRC.

(43) The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Qingtian Tianwei Certified Public Accountants Co., Ltd. (青田天威會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(44) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Wenzhou Zhongyuan Lide Certified Public Accountants (溫州中源立德會計師事務所), a certified public accounting firm registered in the PRC.

(45) The statutory financial statements of these entities for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Ningbo Guosui Certified Public Accountants Co. Ltd. (寧波國穗會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(46) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Jiande Xinan Certified Public Accountants (建德信安會計師事務所), a certified public accounting firm registered in the PRC.

(47) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Taizhou Tianyi Certified Public Accountants (台州天一會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(48) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Lianyungang Longxiang United Certified Public Accountants (連雲港龍翔會計師事務所), a certified public accounting firm registered in the PRC.

(49) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Jiangxi Huatai United Certified Public Accountants (江西華泰會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(50) The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 prepared in accordance with PRC GAAP and regulations were audited by Reanda Certified Public Accountants Jiangxi LLP (利安達會計師事務所(特殊普通合夥)江西分所) and Jiangxi Huatai United Certified Public Accountants (江西華泰會計師事務所有限公司) , respectively, certified public accounting firms registered in the PRC.

(51) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Jiangxi Huatai United Certified Public Accountants (江西華泰會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(52) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Anhui Xinnanfang United Certified Public Accountants (安徽新南方會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(53) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Suizhou Fangzheng United Certified Public Accountants (隨州方正有限責任會計師事務所), a certified public accounting firm registered in the PRC.

(54) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Jiangxi Lianxing United Certified Public Accountants (江西聯信會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(55) The statutory financial statements of these entities for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Shaoxing Tianhe United Certified Public Accountants (紹興天和聯合會計師事務所), a certified public accounting firm registered in the PRC.

(56) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Jiangxi Tianxiang United Certified Public Accountants (江西天翔會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(57) The statutory financial statements of this entity for the years ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Wenzhou Ruili United Certified Public Accountants (溫州睿立會計師事務所有限公司), a certified public accounting firm registered in the PRC.

The English names of the companies registered in Mainland China referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

The directors of the Group are of the view that there are no individually significant non-controlling interests in the partly-owned subsidiaries.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "Our history, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 21 September 2018. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

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

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

All intra-Group transactions and balances have been eliminated on combination in full.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Group has adopted IFRS 9 and IFRS 15 on a consistent basis throughout the Relevant Periods.

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to the following standards:
	- IFRS 3 *Business Combinations*[1]
	- IFRS 11 *Joint Arrangements*[1]
	- IAS 12 *Income Taxes*[1]
	- IAS 23 *Borrowing Costs*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosure than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB 108,485,000 and lease liabilities of RMB108,485,000 will be recognised at 1 January 2019. The directors of the Group anticipate that the application of IFRS 16 will not significantly affect the financial performance and net assets of the Group upon adoption on 1 January 2019.

The Group is in the process of making an assessment of the impact of these new IFRSs upon initial application. Up to the date of this report, except for impacts disclosed above, it has concluded that these new IFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Business combinations other than common control combinations

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same Group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	5.00%
Motor vehicles	20.00%
Office equipment and electronic devices	20.00%
Leasehold improvements	over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of comprehensive income in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with IAS 16 *Property, Plant and Equipment* up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and carried in the asset revaluation reserve in equity. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property

Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss, and

- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. 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 costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in OCI, except impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statements of comprehensive income in the period in which it arises. Interest income from these financial assets is included in finance income.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in the consolidated statements of profit or loss and other comprehensive income when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in "other income and gains" in the consolidated statements of profit or loss and other comprehensive income as applicable.

Changes in fair value of financial assets at FVOCI are recognised in OCI.

Impairment of financial assets

The Group has types of financial assets subject to IFRS 9's new expected credit loss model: financial assets included in prepayments and other receivables, amounts due from related companies, restricted cash, pledged deposits and cash and cash equivalents.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, under which the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost including other receivables, and with the exposure arising from financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Details of how the Group determines whether there has been a significant increase in credit risk since initial recognition are set out in note 41.

Impairment of other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amounts due.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statements of financial position) when:

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

- the Group has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass–through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amount is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the 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 each 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 financing component if it is significant.

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Property management services

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Management consulting services

Management consulting services income derived from the provision of support services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from other sources

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee retirement benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The 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. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed to by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payment as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

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

Estimate of fair value of investment properties

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

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2016, 2017 and 2018 were RMB324,500,000, RMB791,000,000 and RMB928,900,000, respectively.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 18 to the Historical Financial Information.

Provision for expected credit losses on trade receivables and prepayments and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and prepayments and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the properties sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and prepayments and other receivables are disclosed in note 22 and note 23 to the Historical Financial Information, respectively.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group's consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with similar nature of property development and leasing and management, nature of the aforementioned business processes, type or class of customers for the aforementioned businesses and methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a Group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Sale of properties	2,903,820	13,913,179	29,992,092
Property management services	—	7,190	6,321
Management consulting services	21,591	105,930	211,845
Revenue from other sources			
Property lease income	—	—	4,430
	2,925,411	14,026,299	30,214,688
Represented by:			
Revenue from the sale of properties:			
Recognised at a point in time	1,723,112	9,440,108	24,389,691
Recognised over time	1,180,708	4,473,071	5,602,401
Revenue from property management services:			
Recognised over time	—	7,190	6,321
Revenue from management consulting services:			
Recognised over time	21,591	105,930	211,845
Revenue from other sources:			
Property lease income	—	—	4,430
	2,925,411	14,026,299	30,214,688
Other income and gains			
Gain on disposal of subsidiaries	—	14,389	47,684
Gain on disposal of associates	5,732	—	6,802
Gain on bargain purchase (note 32)	153,223	—	—
Forfeiture of deposits	4,078	8,508	14,814
Government grants	—	888	7,299
Foreign exchange differences, net	—	—	10,630
Others	442	732	7,816
	163,475	24,517	95,045

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
Cost of properties sold	21	2,294,518	11,181,321	23,204,462
Impairment losses recognised for properties under development	20	22,173	5,988	54,800
Impairment losses written off for properties under development	21	(17,819)	(71,598)	(53,029)
Depreciation of items of property, plant and equipment	13	12,981	17,969	42,922
Amortisation of intangible assets	15	72	198	259
Rental expenses		21,175	31,874	65,368
Auditor's remuneration		688	2,342	12,825
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):				
Wages and salaries		195,126	360,137	877,633
Pension scheme contributions and social welfare		34,591	66,045	141,577

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings	1,570,156	2,221,915	2,438,571
Interest expense arising from revenue contracts	131,939	477,199	588,965
Total interest expense on financial liabilities not at fair value through profit or loss	1,702,095	2,699,114	3,027,536
Less: Interest capitalised	(1,433,077)	(2,342,794)	(2,594,070)
	269,018	356,320	433,466

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors before 22 March 2018, the date of incorporation of the Company.

Mr. Yang Jian, Mr. Huang Chunlei, Mr. Xu Liangqiong and Mr. Ling Xinyu were appointed as executive directors of the Company on 29 March 2018, 29 March 2018, 29 March 2018 and 28 September 2018, respectively. Mr. AU YEUNG Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo were all appointed as independent non-executive directors of the Company on 19 June 2019.

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	2,142	6,570	19,966
Performance-related bonuses*	1,558	4,376	8,774
Pension scheme contributions and social welfare	241	298	326
	3,941	11,244	29,066

* Certain executive directors of the Company are entitled to bonus payments which are determined based on a percentage of the profit after tax of the Group.

(a) **Independent non-executive directors**

Mr. AU YEUNG Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo were appointed as independent non-executive directors of the Company on 19 June 2019. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(b) **Executive directors**

Year ended 31 December 2016

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
- Mr. Yang Jian	—	1,178	792	73	2,043
- Mr. Huang Chunlei	—	382	567	58	1,007
- Mr. Xu Liangqiong	—	361	199	58	618
- Mr. Ling Xinyu	—	221	—	52	273
	—	2,142	1,558	241	3,941

Year ended 31 December 2017

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
- Mr. Yang Jian	—	2,287	1,329	88	3,704
- Mr. Huang Chunlei	—	1,924	1,279	61	3,264
- Mr. Xu Liangqiong	—	1,924	1,279	88	3,291
- Mr. Ling Xinyu	—	435	489	61	985
	—	6,570	4,376	298	11,244

Year ended 31 December 2018

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
- Mr. Yang Jian	—	7,307	3,248	96	10,651
- Mr. Huang Chunlei	—	8,200	3,525	67	11,792
- Mr. Xu Liangqiong	—	3,581	1,666	96	5,343
- Mr. Ling Xinyu	—	878	335	67	1,280
	—	19,966	8,774	326	29,066

Mr. Huang Chunlei is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2016, 2017 and 2018 included three, three and three directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2016, 2017 and 2018 of the five highest paid employees of the Company are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,639	7,799	22,984
Performance-related bonuses	1,859	4,798	10,084
Pension scheme contributions and social welfare	346	387	420
	4,844	12,984	33,488

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Nil to HK$1,000,000	2	—	—
HK$1,000,001 to HK$1,500,000	—	2	—
HK$1,500,001 to HK$2,000,000	—	—	—
HK$2,000,001 to HK$2,500,000	—	—	—
HK$2,500,001 to HK$3,000,000	—	—	—
HK$3,000,001 to HK$3,500,000	—	—	2
	2	2	2

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Relevant Periods.

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

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax:			
PRC Corporate income tax	101,810	1,044,178	1,625,595
PRC LAT	41,349	452,918	1,183,637
Deferred tax (note 18)	(147,345)	(727,785)	(897,043)
Total tax (credit)/ charge for the year	(4,186)	769,311	1,912,189

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
(Loss)/profit before tax	(273,955)	1,267,885	4,438,476
At the statutory income tax rate	(68,489)	316,971	1,109,619
Profits and losses attributable to joint ventures and associates	15,675	30,049	(158,825)
Expenses not deductible for tax	13,843	27,055	45,182
Income not subject to tax	(38,306)	—	—
Tax losses utilised from previous years	(3,727)	(8,648)	(58,217)
Tax losses not recognised	34,889	48,772	72,231
Deductible temporary differences not recognised	10,917	15,424	14,471
Provision for LAT	41,349	452,918	1,183,637
Tax effect on LAT	(10,337)	(113,230)	(295,909)
Tax (credit)/charge at the Group's effective rate	(4,186)	769,311	1,912,189

The share of tax charge attributable to joint ventures and associates amounted to nil, RMB28,914,000, and RMB330,461,000 for the years ended 31 December 2016, 2017 and 2018, respectively. The share of tax credit attributable to joint ventures and associates amounted to RMB20,900,000, RMB68,979,000, and RMB118,693,000 for the years ended 31 December 2016, 2017 and 2018, respectively. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statements of profit or loss and other comprehensive income.

Tax payable in the consolidated statements of financial position represents:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Tax payable			
Corporate income tax	94,303	807,154	996,045
LAT	41,238	375,350	964,236
	135,541	1,182,504	1,960,281

11. DIVIDENDS

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

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(Loss)/Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2016					
At 1 January 2016:					
Cost	—	10,953	3,688	12,894	27,535
Accumulated depreciation	—	(6,050)	(1,397)	(7,587)	(15,034)
Net carrying amount	—	4,903	2,291	5,307	12,501
At 1 January 2016, net of accumulated depreciation	—	4,903	2,291	5,307	12,501
Additions	—	12,162	7,768	5,996	25,926
Acquisition of subsidiaries (note 32)	—	755	318	4,746	5,819
Depreciation provided during the year (note 6)	—	(4,110)	(1,656)	(7,215)	(12,981)
At 31 December 2016, net of accumulated depreciation	—	13,710	8,721	8,834	31,265
At 31 December 2016:					
Cost	—	24,115	11,936	27,194	63,245
Accumulated depreciation	—	(10,405)	(3,215)	(18,360)	(31,980)
Net carrying amount	—	13,710	8,721	8,834	31,265
31 December 2017					
At 1 January 2017:					
Cost	—	24,115	11,936	27,194	63,245
Accumulated depreciation	—	(10,405)	(3,215)	(18,360)	(31,980)
Net carrying amount	—	13,710	8,721	8,834	31,265

	Land and buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017, net of accumulated depreciation	—	13,710	8,721	8,834	31,265
Additions	—	11,011	17,537	8,991	37,539
Acquisition of subsidiaries (note 32)	—	—	36	—	36
Disposal of subsidiaries (note 33)	—	—	(64)	(808)	(872)
Depreciation provided during the year (note 6)	—	(6,188)	(4,214)	(7,567)	(17,969)
At 31 December 2017, net of accumulated depreciation	—	18,533	22,016	9,450	49,999
At 31 December 2017:					
Cost	—	35,126	29,228	33,729	98,083
Accumulated depreciation	—	(16,593)	(7,212)	(24,279)	(48,084)
Net carrying amount	—	18,533	22,016	9,450	49,999
31 December 2018					
At 1 January 2018:					
Cost	—	35,126	29,228	33,729	98,083
Accumulated depreciation	—	(16,593)	(7,212)	(24,279)	(48,084)
Net carrying amount	—	18,533	22,016	9,450	49,999
At 1 January 2018, net of accumulated depreciation	—	18,533	22,016	9,450	49,999
Additions	163	10,243	20,893	16,928	48,227
Acquisition of subsidiaries (note 32)	37,794	250	1,466	12,875	52,385
Disposal of subsidiaries (note 33)	—	(1,335)	(1,085)	—	(2,420)
Depreciation provided during the year (note 6)	(4,099)	(9,709)	(5,493)	(23,621)	(42,922)
At 31 December 2018, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
At 31 December 2018:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,979	15,632	105,269

As at 31 December 2018, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB19,797,000.

14. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2016	—	172,000	172,000
Additions	—	143,775	143,775
Net gain from a fair value adjustment	—	8,725	8,725
Carrying amount at 31 December 2016 and 1 January 2017	—	324,500	324,500
Additions	—	204,602	204,602
Transferred to completed investment properties	—	(364,681)	(364,681)
Transferred from investment properties under construction	364,681	—	364,681
Net gain from a fair value adjustment	85,319	176,579	261,898
Carrying amount at 31 December 2017 and 1 January 2018	450,000	341,000	791,000
Additions	—	65,929	65,929
Transferred to completed investment properties	—	(15,600)	(15,600)
Transferred from investment properties under construction	15,600	—	15,600
Net gain from a fair value adjustment	3,400	68,571	71,971
Carrying amount at 31 December 2018	469,000	459,900	928,900

Certain of the Group's investment properties with an aggregate carrying amount of approximately RMB349,000,000 as at 31 December 2018 have been pledged to secure bank and other borrowings granted to the Group (note 28).

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2016, 2017 and 2018 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB324,500,000, RMB791,000,000 and RMB928,000,000, respectively. In each of the Relevant Periods, the Group's senior finance manager and the group financial controller decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the group financial controller have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties				
under construction	—	—	324,500	324,500

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties				
completed	—	—	450,000	450,000
under construction	—	—	341,000	341,000
	—	—	791,000	791,000

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties				
completed	—	—	469,000	469,000
under construction	—	—	459,900	459,900
	—	—	928,900	928,900

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

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

			Range or weighted average		
			31 December		30 September
	Valuation techniques	Significant unobservable inputs	2016	2017	2018
Completed commercial properties	Income approach	Estimated rental value (per square metre and per month)	N/A	RMB37.5-92.0	RMB33.5-130.8
		Capitalisation rate	N/A	4.5%-5%	4.5%-5.5%
		Long term vacancy rate	N/A	5%	5%-8%
Commercial properties under construction	Comparison method	Expected profit margin	12%-20%	12%-15%	12%-15%

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant;

- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

15. INTANGIBLE ASSETS

	31 December 2016	31 December 2017	31 December 2018
	RMB'000	RMB'000	RMB'000
Software			
At the beginning of the year:			
Cost	126	646	840
Accumulated amortisation	—	(72)	(270)
Net carrying amount	126	574	570
Carrying amount at the beginning of the year:	126	574	570
Additions	520	194	144
Amortisation provided during the year (note 6)	(72)	(198)	(259)
Carrying amount at the end of the year:	574	570	455
At the end of the year:			
Cost	646	840	984
Accumulated amortisation	(72)	(270)	(529)
Net carrying amount	574	570	455

16. INVESTMENTS IN JOINT VENTURES

	31 December 2016	31 December 2017	31 December 2018
	RMB'000	RMB'000	RMB'000
Share of net assets	27,639	415,602	2,530,184
Financial guarantees provided to joint ventures	—	—	53,875
	27,639	415,602	2,584,059

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures. Details are set out in note 38 to the Historical Financial Information. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivables and payables with joint ventures are disclosed in note 37 to the Historical Financial Information.

(a) Particulars of the Group's material joint ventures

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
保山碧永房地產開發有限公司 Baoshan Biyong Real Estate Development Co., Ltd.	Baoshan, PRC 2018	20,000	50.00%	Property development
重慶正江房地產開發有限公司*(Note1)* Chongqing Zhengjiang Real Estate Development Co., Ltd.	Chongqing, PRC 2017	40,816	51.00%	Property development
福安中梁翼房地產開發有限公司*(Note1)* Fuan Zhongliangyi Real Estate Development Co., Ltd.	Fuan, PRC 2017	50,000	60.00%	Property development
焦作梁順置業有限公司 Jiaozuo Liangshun Property Co., Ltd.	Jiaozuo, PRC 2018	50,000	50.00%	Property development
江蘇東亭置業有限公司*(Note1)* Jiangsu Dongting Property Co., Ltd.	Yancheng, PRC 2012	100,000	60.00%	Property development
開化同益房地產開發有限公司 Kaihua Tongyi Real Estate Development Co., Ltd.	Kaihua, PRC 2017	50,000	37.60%	Investment holding
寧波禦安置業有限公司 Ningbo Yu'an Property Co., Ltd.	Ningbo, PRC 2016	50,000	32.97%	Investment holding
寧波禦德置業有限公司 Ningbo Yude Property Co., Ltd.	Ningbo, PRC 2016	10,000	49.00%	Investment holding
衢州融晟置業有限公司 Quzhou Rongsheng Property Co., Ltd.	Quzhou, PRC 2017	847,500	35.00%	Property development
瑞安市梁辰置業有限公司 Rui'an Liangchen Property Co., Ltd.	Rui'an, PRC 2017	10,000	50.00%	Property development
上海佳贏置業有限公司 Shanghai Jiaying Property Co., Ltd.	Shanghai, PRC 2016	50,000	37.38%	Investment holding
上海祥譽置業有限公司 Shanghai Xiangyu Property Co., Ltd.	Shanghai, PRC 2016	10,000	30.47%	Investment holding
上海驍意投資有限公司 Shanghai Xiaoyi Property Co., Ltd.	Shanghai, PRC 2014	100	35.00%	Investment holding
溫州市嘉地置業有限公司 Wenzhou Jiadi Property Co., Ltd.	Wenzhou, PRC 2015	10,000	50.00%	Property development
溫州泰多投資管理有限公司 Wenzhou Taiduo Investment Management Co., Ltd.	Wenzhou, PRC 2016	10,000	50.00%	Property development

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
煙台大昌房地產開發有限公司 Yantai Dachang Real Estate Development Co., Ltd.	Yantai, PRC 2014	30,769	35.00%	Property development
揚州鳴翔置業有限公司*(Note2)* Yangzhou Mingxiang Property Co., Ltd.	Yangzhou, PRC 2017	10,000	23.00%	Property development
益陽梁鴻房地產開發有限公司 Yiyang Lianghong Real Estate Development Co., Ltd.	Yiyang, PRC 2018	50,000	31.15%	Property development
舟山梁弘港置業有限公司*(Note1)* Zhoushan Lianghonggang Property Co., Ltd.	Zhoushan, PRC 2018	50,000	55.00%	Property development
浙江錦禾投資開發有限公司*(Note1)* Zhejiang Jinhe Investment & Development Co., Ltd.	Quzhou, PRC 2017	50,000	51.00%	Property development
蒼南新鴻國悦房地產開發有限公司 Cangnan Xinhong Guoyue Real Estate Development Co., Ltd.	Cangnan, PRC 2017	10,000	45.00%	Property development
常州旭景置業有限公司 Changzhou Xujing Property Co., Ltd.	Changzhou, PRC 2017	40,000	47.00%	Investment holding
福建聯梁盛房地產開發有限公司 Fujian Lianliangsheng Real Estate Development Co., Ltd.	Fujian, PRC 2016	200,000	49.00%	Property development
邵陽梁泰房地產開發有限公司 Shaoyang Liangtai Real Estate Development Limited	Shaoyang, PRC 2018	50,000	41.40%	Property development
杭州碧盛置業有限公司 Hangzhou Bisheng Property Co., Ltd.	Hangzhou, PRC 2018	20,000	49.00%	Property development
上海瑞晨置業有限公司 Shanghai Ruichen Property Co., Ltd.	Shanghai, PRC 2018	10,000	32.00%	Investment holding
上海紹軒置業有限公司 Shanghai Shaoxuan Property Co., Ltd.	Shanghai, PRC 2017	10,000	49.00%	Investment holding
上海旭城置業有限公司 Shanghai Xucheng Property Co., Ltd.	Shanghai, PRC 2016	10,000	47.29%	Investment holding
宿遷市瑞嘉置業有限公司 Suqian Ruijia Property Co., Ltd.	Suqian, PRC 2014	100,000	40.00%	Property development
溫州市梁旭置業有限公司*(Note1)* Wenzhou Liangxu Property Co., Ltd.	Wenzhou, PRC 2016	200,000	60.00%	Property development
揚州駿安置業有限公司 Yangzhou Jun'an Property Co., Ltd.	Yangzhou, PRC 2017	50,000	49.00%	Property development

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
繁昌縣碧盛房地產開發有限公司 Fanchang Bisheng Real Estate Development Limited	FanChang, PRC 2018	100,000	49.00%	Property development
沈陽梁宏房地產開發有限公司*(Note1)* Shenyang Lianghong Real Estate Development Limited	ShenYang, PRC 2017	56,863	50.50%	Property development
瑞安市悦塘置業有限公司*(Note1)* Rui'an Yuetang Property Co., Ltd.	Ruian, PRC 2018	50,000	51.00%	Property development
吉安中梁泰置業有限公司*(Note1)* Ji'an Zhongliangtai Property Co., Ltd.	Ji'an, PRC 2018	71,430	70.00%	Property development
宜興市梁輝置業有限公司*(Note3)* Yixing Lianghui Property Co., Ltd.	Yixing, PRC 2018	50,000	26.00%	Property development
樂清市梁榮置業有限公司*(Note4)* Yueqing Liangrong Property Co., Ltd.	Yueqing, PRC 2018	210,000	24.00%	Property development
宜昌隆泰陽光城房地產開發有限公司 Yichang Longtai Yangguangcheng Real Estate Development Co., Ltd.	Yichang, PRC 2018	19,608	49.00%	Property development
溫州華陳置業有限責任公司 Wenzhou Huachen Property Co., Ltd.	Wenzhou, PRC 2017	20,000	45.00%	Property development
泉州廣茂房地產開發有限公司 Quanzhou Guangmao Real Estate Development Co., Ltd.	Quanzhou, PRC 2018	10,000	40.00%	Property development
閩清縣梅圓房地產開發有限公司*(Note5)* Minqing Meiyuan Real Estate Development Co., Ltd.	Minqing, PRC 2018	37,500	20.00%	Property development
杭州名宸置業有限公司*(Note6)* Hangzhou Mingchen Property Co., Ltd.	Hangzhou, PRC 2018	328,148	30.00%	Property development
泰順誠盛置業有限公司 Taishun Chengsheng Property Co., Ltd.	Taishun, PRC 2018	10,000	50.00%	Property development
沭陽新碧房地產開發有限公司 Shuyang Xinbi Real Estate Development Co., Ltd.	Shuyang, PRC 2017	20,000	50.00%	Property development
寧波市鄞州金丁企業管理諮詢有限公司 Ningbo Yinzhou Jinding Enterprise Management Consulting Co., Ltd.	Ningbo, PRC 2017	20,000	26.60%	Property development

Notes:

1 Pursuant to the investment framework agreement and the articles of association of these companies, all shareholder resolutions of these companies shall be resolved by all shareholders on a unanimous basis. Therefore, these companies were accounted for as joint ventures of the Group during the Relevant Periods.

2 During the Relevant Periods, Yangzhou Mingxiang Property Co., Ltd. ("Yangzhou Mingxiang") had four shareholders holding 31%, 23%, 23% and 23% equity interests respectively. Pursuant to the articles of association of Yangzhou Mingxiang, all shareholder resolutions of Yangzhou Mingxiang shall be resolved by the four shareholders on a unanimous basis. Therefore, Yangzhou Mingxiang was accounted for as a joint venture of the Group notwithstanding that the Group only held a 23% equity interest during the Relevant Periods.

3 During the Relevant Periods, Yixing Lianghui Property Co., Ltd. ("Yixing Lianghui") had four shareholders holding 26%, 15%, 39% and 20% equity interests respectively. Pursuant to the articles of association of Yixing Lianghui, all shareholder resolutions of Yixing Lianghui shall be resolved by the four shareholders on a unanimous basis. Therefore, Yixing Lianghui was accounted for as a joint venture of the Group notwithstanding that the Group only held a 26% equity interest during the Relevant Periods.

4 During the Relevant Periods, Yueqing Liangrong Property Co., Ltd. ("Yueqing Liangrong") had four shareholders holding 24%, 25%, 25% and 26% equity interests respectively. Pursuant to the articles of association of Yueqing Liangrong, all shareholder resolutions of Yueqing Liangrong shall be resolved by the four shareholders on a unanimous basis. Therefore, Yueqing Liangrong was accounted for as a joint venture of the Group notwithstanding that the Group held a 24% equity interest during the Relevant Periods.

5 During the Relevant Periods, Minqing Meiyuan Real Estate Development Co., Ltd. ("Minqing Meiyuan") had four shareholders holding 20%, 40%, 20% and 20% equity interests, respectively. Pursuant to the articles of association of Minqing Meiyuan, all shareholder resolutions of Minqing Meiyuan shall be resolved by the four shareholders on a unanimous basis. Therefore, Minqing Meiyuan was accounted for as a joint venture of the Group notwithstanding that the Group held a 20% equity interest during the Relevant Periods.

6 During the Relevant Periods, Hangzhou Mingchen Property Co., Ltd. ("Hangzhou Mingchen") had two shareholders holding 30% and 70% equity interests, respectively. Pursuant to the articles of association of Hangzhou Mingchen, all shareholder resolutions of Hangzhou Mingchen shall be resolved by the two shareholders on a unanimous basis. Therefore, Hangzhou Mingchen was accounted for as a joint venture of the Group notwithstanding that the Group held a 30% equity interest during the Relevant Periods.

(b) Quzhou Rongsheng Property Co., Ltd ("Quzhou Rongsheng"), Shanghai Jiaying Property Co., Ltd. ("Shanghai Jiaying") and Yiwu Wuyue Real Estate Development Co., Ltd. ("Yiwu Wuyue"), which are considered material joint ventures of the Group during the Relevant Periods, co-develop a property development project with the other joint venture partners in Mainland China and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Quzhou Rongsheng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	31 December 2017	31 December 2018
	RMB'000	RMB'000
Cash and cash equivalents	119,608	501,530
Other current assets	1,833,597	3,897,575
Current assets	1,953,205	4,399,105
Non-current assets	498	535
Other current liabilities	(532,240)	(2,938,648)
Current liabilities	(532,240)	(2,938,648)

	31 December 2017	31 December 2018
	RMB'000	RMB'000
Non-current financial liabilities, excluding trade and other payables and provisions	(600,000)	(700,000)
Net assets	821,463	760,992
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	35%	35%
Group's share of net assets of the joint venture	287,512	266,347
Adjustment for unrealised profits and losses from related party transactions	(84)	(1,155)
Carrying amount of the investment	287,428	265,192
Revenue	—	1,005
Expenses	(24,596)	(61,475)
Tax	(1,441)	—
Loss for the year	(26,037)	(60,470)
Total comprehensive loss for the year	(26,037)	(60,470)

(b) (continued)

The following table illustrates the summarised financial information in respect of Shanghai Jiaying, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	31 December 2017	31 December 2018
	RMB'000	RMB'000
Cash and cash equivalents	194,060	9,688
Other current assets	822,374	340,709
Current assets	1,016,434	350,397
Non-current assets	729	372
Other current liabilities	(797,001)	(153,647)
Current liabilities	(797,001)	(153,647)
Other non-current liabilities	(248,000)	—
Net assets	(27,838)	197,122
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	37.38%	37.38%
Group's share of net assets of the joint venture	(10,407)	73,684
Adjustment for unrealised profits and losses from related party transactions	(1,155)	(1,187)
Carrying amount of the investment	(11,562)	72,497
Revenue	90	962,021
Expense	(12,181)	(648,711)
Tax	(11,380)	(82,301)
(Loss)/Profit for the year	(23,471)	231,009
Total comprehensive (loss)/ income for the year	(23,471)	231,009

(b) (continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue Real Estate Development Co., Ltd. ("Yiwu Wuyue"), adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	31 December 2017
	RMB'000
Cash and cash equivalents	135,671
Other current assets	3,286,127
Current assets	3,421,798
Non-current assets	738,533
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(2,934,434)
Current liabilities	(2,934,434)
Non-current financial liabilities, excluding trade and other payables and provisions	(1,100,000)
Other non-current liabilities	(57,221)
Net assets	68,676
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint ventures	33,651
Adjustment for unrealised profits and losses from related party transactions	(3,607)
Carrying amount of the investment	30,044
Revenue	3,992
Expenses	(98,983)
Fair value gains on investment properties	218,122
Tax	(32,806)
Profit for the year	90,325
Total comprehensive income for the year	90,325

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

	31 December 2016	31 December 2017	31 December 2018
	RMB'000	RMB'000	RMB'000
Share of the joint ventures' profits and losses for the year	(29,053)	(169,990)	(159,341)
Share of the joint ventures' total comprehensive income	(29,053)	(169,990)	(159,341)
Adjustment for unrealised profits and losses for related party transactions	(350)	(8,131)	(24,240)
Aggregate carrying amount of the Group's investments in the joint ventures	27,639	98,130	2,246,370

The joint ventures have been accounted for using the equity method in the Historical Financial Information.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2016, 2017 and 2018.

17. INVESTMENTS IN ASSOCIATES

	31 December 2016	31 December 2017	31 December 2018
	RMB'000	RMB'000	RMB'000
Share of net assets	209,039	437,704	2,082,165
Financial guarantees provided to associates	—	—	30,994
	209,039	437,704	2,113,159

The Group has guaranteed certain of the bank and other borrowings made to its associates. Details are set out in note 38 to the Historical Financial Information. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivables and payables with associates are disclosed in note 37 to the Historical Financial Information.

(a) Particulars of the Group's material associates

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
安寧中南雲璟房地產開發有限公司 Anning Zhongnan Yunjing Real Estate Development Co., Ltd.	Anning, PRC 2018	30,303	34.00%	Property development
蒼南縣梁彙置業有限公司 Cangnan Lianghui Property Co., Ltd.	Cangnan, PRC 2018	10,000	50.00%	Investment holding
重慶華宇業翔實業有限公司 Chongqing Huayu Yexiang Property Co., Ltd.	Chongqing, PRC 2018	200,000	25.00%	Investment holding
重慶市天悅房地產開發有限公司 Chongqing Tianyue Real Estate Development Co., Ltd.	Chongqing, PRC 2017	60,000	49.00%	Property development
重慶中梁坤維房地產開發有限公司 Chongqing Zhongliang Kunwei Real Estate Development Co., Ltd.	Chongqing, PRC 2018	100,000	20.00%	Property development
慈溪合翔置業有限公司 Cixi Hexiang Property Co., Ltd.	Cixi, PRC 2017	200,000	33.30%	Property development
慈溪金奕房地產開發有限公司 Cixi Jinyi Real Estate Development Co., Ltd.	Cixi, PRC 2018	195,000	33.33%	Property development
慈溪市新桂置業有限公司 Cixi Xingui Property Co., Ltd.	Cixi, PRC 2016	10,000	29.00%	Property development
東陽市東銘房地產開發有限公司 Dongyang Dongming Real Estate Development Co., Ltd.	Dongyang, PRC 2017	200,000	27.00%	Property development
福建誠心合一置業發展有限公司 Fujian Chengxin Heyi Property Development Co., Ltd.	Fujian, PRC 2018	50,000	20.00%	Property development
杭州濱通房地產開發有限公司 Hangzhou Bintong Real Estate Development Co., Ltd.	Hangzhou, PRC 2016	5,000	25.00%	Property development
杭州富陽萬朝置業有限公司 Hangzhou Fu Yang Wan Chao Property Co., Ltd.	Hangzhou, PRC 2016	170,000	33.00%	Property development
杭州鈞德房地產開發有限公司* Hangzhou Junde Real Estate Development Co., Ltd.	Hangzhou, PRC 2017	130,000	15.38%	Property development

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
杭州榮悅置業有限公司 Hangzhou Rongyue Property Co., Ltd.	Hangzhou, PRC 2017	11,000	32.90%	Property development
杭州鑫鈞達房地產開發有限公司 Hangzhou Xinjunda Real Estate Development Co., Ltd.	Hangzhou, PRC 2017	50,000	30.00%	Investment holding
靖江市新碧房地產開發有限公司 Jingjiang Xinbi Real Estate Development Co., Ltd.	Jingjiang, PRC 2016	20,000	38.00%	Property development
晉江中梁榮譽置業發展有限公司 Jinjiang Zhongliang Rongyu Property Development Co., Ltd.	Jinjiang, PRC 2018	50,000	20.00%	Property development
九江碧桂園物業發展有限公司 Jiujiang Biguiyuan Property Development Co., Ltd.	Jiujiang, PRC 2017	5,000	35.21%	Property development
平度市中南錦宸房地產有限公司 Pingdu Zhongnan Jinchen Real Estate Development Co., Ltd.	Pingdu, PRC 2017	10,000	30.00%	Property development
青島中梁宏置業有限公司 Qingdao Zhonglianghong Property Development Co., Ltd.	Qingdao, PRC 2017	50,000	30.00%	Property development
瑞安市鴻發置業有限公司 Rui'an Hongfa Property Co., Ltd.	Rui'an, PRC 2016	5,000	30.00%	Property development
三明市濱江置業有限公司 Sanming Binjiang Property Co., Ltd.	Sanming, PRC 2017	10,000	33.00%	Property development
上海紹毅置業有限公司 Shanghai Shaoyi Property Co., Ltd.	Shanghai, PRC 2017	50,000	23.12%	Investment holding
義烏吾悅房地產發展有限公司**** Yiwu Wuyue Real Estate Development Co., Ltd.	Yiwu, PRC 2015	19,608	49.00%	Property development and property leasing
石獅中梁榮譽置業發展有限公司 Shishi Zhongliang Rongyu Property Development Co., Ltd.	Shishi, PRC 2017	50,000	35.00%	Property development
太倉市港城碧桂園房地產開發有限公司 Taicang Gangcheng Country Garden Real Estate Development Co., Ltd.	Taicang, PRC 2016	150,000	49.00%	Property development

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
台州市中梁宇置業有限公司 Taizhou Zhongliangyu Property Co., Ltd.	Taizhou, PRC 2017	50,000	30.00%	Property development
溫州德信南湖置業有限公司 Wenzhou Dexin Nanhu Property Co., Ltd.	Wenzhou, PRC 2017	100,000	25.00%	Property development
溫州萬昱置業有限公司 Wenzhou Wanyu Property Co., Ltd.	Wenzhou, PRC 2015	300,000	30.00%	Property development
溫州新都置業有限公司 Wenzhou Xindu Property Co., Ltd	Wenzhou, PRC 2015	150,000	24.50%	Property development
溫州伊頓投資管理有限公司 Wenzhou Yidun Investment Management Co., Ltd.	Wenzhou, PRC 2017	2,000	30.00%	Investment holding
無錫市晨業房地產有限公司 Wuxi Chenye Real Estate Co., Ltd.	Wuxi, PRC 2017	20,000	24.50%	Property development
揚州綠峰房地產開發有限公司 Yangzhou Lvfeng Real Estate Development Co., Ltd.	Yangzhou, PRC 2017	100,000	30.00%	Property development
樂清凱譽置業有限公司** Yueqing Kaiyu Property Co., Ltd.	Yueqing, PRC 2017	50,000	18.00%	Property development
正謙（上海）置業有限公司 Zhengqian (Shanghai) Property Co., Ltd.	Shanghai, PRC 2018	1,000	28.79%	Investment holding
舟山合隆置業有限公司 Zhoushan Helong Property Co., Ltd.	Zhoushan, PRC 2017	100,000	25.00%	Property development
株洲郡堂房地產開發有限公司 Zhuzhou Juntang Real Estate Development Co., Ltd.	Zhuzhou, PRC 2017	50,000	30.00%	Property development
遵義宸梁房地產有限公司 Zunyi Chenliang Real Estate Co., Ltd.	Zunyi, PRC 2018	120,000	20.00%	Property development
杭州浙同投資有限公司*** Hangzhou Zhetong Investment Co., Ltd.	Hangzhou, PRC 2018	2,400,000	15.00%	Investment holding

Name of companies	Place and year of registration	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
揭陽市粵森置業有限公司 Jieyang Yuesen Property Co., Ltd.	Jieyang, PRC 2017	1,429	30.00%	Property development
萊蕪贏和中梁置業有限公司 Laiwu Yinghe Zhongliang Real Estate Co., Ltd.	Laiwu, PRC 2018	10,000	32.00%	Property development
浙江錦臻投資管理有限公司 Zhejiang Jinzhen Investment Management Co., Ltd.	Zhejiang, PRC 2017	10,000	34.00%	Property development
舒城文築地產有限公司 Shucheng Wenzhu Real Estate Co., Ltd.	Shucheng, PRC 2018	60,610	34.00%	Property development
溫州鑫來投資管理有限公司 Wenzhou Xinlai Investment Management Co., Ltd.	Wenzhou, PRC 2018	250,000	48.00%	Investment holding
山東明耀置業有限公司 Shandong Ming Yao Property Co., Ltd.	Shandong, PRC 2017	18,000	30.60%	Property development
連雲港市連碧房地產開發有限公司 Lianyungang Lianbi Real Estate Development Co., Ltd.	Lianyungang, PRC 2017	46,136	49.00%	Property development
安徽皖輝置業有限公司 Anhui Wanhui Property Co., Ltd.	Anhui, PRC 2018	100,000	30.00%	Investment holding
重慶浩方房地產開發有限公司 Chongqing Haofang Real Estate Development Co., Ltd.	Chongqing, PRC 2015	20,000	35.00%	Property development
合肥金駿梁合房地產開發有限公司 Hefei Jinjun Lianghe Real Estate Development Limited	HeFei, PRC 2018	1,000,000	45.00%	Property development

* During the Relevant Periods, Hangzhou Junde Real Estate Development Co., Ltd. ("Hangzhou Junde") had five directors, one of which was appointed by the Group. Pursuant to the articles of association of Hangzhou Junde, the Group has significant influence over Hangzhou Junde. Therefore, Hangzhou Junde was accounted for as an associate of the Group as at 31 December 2017 and 31 December 2018.

** During the Relevant Periods, Yueqing Kaiyu Property Co., Ltd. ("Yueqing Kaiyu") had seven directors, one of which was appointed by the Group. Pursuant to the articles of association of Yueqing Kaiyu, the Group has significant influence over Yueqing Kaiyu. Therefore, Yueqing Kaiyu was accounted for as an associate of the Group as at 31 December 2017 and 31 December 2018.

*** During the Relevant Periods, Hangzhou Zhetong Investment Co., Ltd. ("Hangzhou Zhetong") had seven directors, one of which was appointed by the Group. Pursuant to the articles of association of Hangzhou Zhetong, the Group has significant influence over Hangzhou Zhetong. Therefore, Hangzhou Zhetong was accounted for as an associate of the Group as at 31 December 2018.

**** As at 31 December 2017, Yiwu Wuyue was accounted for as a joint venture of the Group. As at 31 December 2018, Yiwu Wuyue was accounted for as an associate of the Group.

(b) Yiwu Wuyue Real Estate Development Co., Ltd. ("Yiwu Wuyue"), Wenzhou Wanyu Property Co., Ltd. ("Wenzhou Wanyu") and Wenzhou Xindu Property Co., Ltd ("Wenzhou Xindu"), which are considered material associates of the Group during the Relevant Periods, co-develop a property development project with the other associate partners in Mainland China and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	31 December 2018
	RMB'000
Cash and cash equivalents	133,031
Other current assets	2,460,563
Current assets	2,593,594
Non-current assets	1,140,365
Other current liabilities	(1,386,751)
Current liabilities	(1,386,751)
Other non-current liabilities	(71,699)
Net assets	2,275,509
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate	1,114,999
Adjustment for unrealised profits and losses from related party transactions	(6,101)
Carrying amount of the investment	1,108,898
Revenue	3,674,615
Expense	(2,014,995)
Fair value gains on investment properties	57,912
Tax	(491,091)
Profit for the year	1,226,441
Total comprehensive income for the year	1,226,441

(b) (continued)

The following table illustrates the summarised financial information in respect of Wenzhou Wanyu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	31 December 2017	31 December 2018
	RMB'000	RMB'000
Cash and cash equivalents	455,102	241,252
Other current assets	2,505,881	662,708
Current assets	2,960,983	903,960
Non-current assets	11,157	260
Other current liabilities	(2,704,900)	(193,998)
Current liabilities	(2,704,900)	(193,998)
Net assets	267,240	710,222
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate	80,172	213,067
Adjustment for unrealised profits and losses from related party transactions	(1,603)	(1,921)
Carrying amount of the investment	78,569	211,146
Revenue	—	2,556,401
Expenses	(3,136)	(1,965,534)
Tax	410	(147,885)
(Loss)/profit for the year	(2,726)	442,982
Total comprehensive (loss)/income for the year	(2,726)	442,982

(b) (continued)

The following table illustrates the summarised financial information in respect of Wenzhou Xindu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	31 December 2017	31 December 2018
	RMB'000	RMB'000
Cash and cash equivalents	84,783	57,895
Other current assets	738,915	254,467
Current assets	823,698	312,362
Non-current assets	3,961	45
Other current liabilities	(690,807)	(46,692)
Current liabilities	(690,807)	(46,692)
Net assets	136,852	265,715
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	24.5%	24.5%
Group's share of net assets of the associate	33,529	65,100
Carrying amount of the investment	33,529	65,100
Revenue	—	676,651
Expenses	(1,000)	(505,803)
Tax	(178)	(41,984)
(Loss)/ profit for the year	(1,178)	128,864
Total comprehensive (loss)/ income for year	(1,178)	128,864

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

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Share of the associates' profits and losses for the year	(33,648)	15,756	(35,974)
Share of the associates' total comprehensive income	(33,648)	15,756	(35,974)
Adjustment for unrealised profits and losses for related party transactions	(678)	(4,733)	(6,938)
Aggregate carrying amount of the Group's investments in the associates	209,039	325,606	728,015

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

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2016, 2017 and 2018.

18. DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax assets

	Losses available for offsetting against future taxable profits	Expenses for offsetting against future taxable profits	Impairment of assets	Unrealised revenue in contract liabilities	Accrued LAT	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	32,688	25,713	20,636	39,044	2,619	120,700
Acquisition of subsidiaries (note 32)	5,308	—	—	—	—	5,308
Deferred tax credited/(charged) to profit or loss during the year (note 10)	26,162	(2,752)	(1,271)	193,990	7,690	223,819
At 31 December 2016 and 1 January 2017	64,158	22,961	19,365	233,034	10,309	349,827
Deferred tax credited/(charged) to profit or loss during the year (note 10)	31,688	42,399	(10,716)	962,893	83,529	1,109,793
At 31 December 2017 and 1 January 2018	95,846	65,360	8,649	1,195,927	93,838	1,459,620
Deferred tax (charged)/credited to profit or loss during the year (note 10)	436,837	(22,340)	8,504	562,580	125,426	1,111,007
At 31 December 2018	532,683	43,020	17,153	1,758,507	219,264	2,570,627

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVPL	Fair value adjustments arising from investment properties	Fair value adjustments arising from business combinations	Recognition of revenue over time	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	—	741	—	19,495	20,236
Acquisition of subsidiaries (note 32)	—	—	100,187	—	100,187
Deferred tax charged to profit or loss during the year (note 10)	4,480	2,181	—	69,813	76,474
At 31 December 2016 and 1 January 2017	4,480	2,922	100,187	89,308	196,897
Acquisition of subsidiaries (note 32)	—	—	159,719	—	159,719
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(1,343)	65,475	—	317,876	382,008
At 31 December 2017	3,137	68,397	259,906	407,184	738,624
Acquisition of subsidiaries (note 32)	—	—	100,841	—	100,841
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(1,010)	17,993	(88,373)	285,354	213,964
At 31 December 2018	2,127	86,390	272,374	692,538	1,053,429

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

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	253,117	980,902	1,852,380
Net deferred tax liabilities recognised in the consolidated statements of financial position	(100,187)	(259,906)	(335,182)
	152,930	720,996	1,517,198

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, 2017 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB177,817,000 as at 2018.

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

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Tax losses	130,637	170,761	184,775
Deductible temporary differences	10,917	26,339	40,810
	141,554	197,100	225,585

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. As at 31 December 2016, 2017 and 2018, the Group did not recognise deferred tax assets of approximately RMB130,637,000, RMB170,761,000 and RMB184,775,000 in respect of losses amounting to approximately RMB522,548,000, RMB683,044,000 and RMB739,100,000, respectively, that can be carried forward to offset against future taxable income. These tax losses will expire up to and including years 2019, 2020, 2021 and 2022, respectively.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		30 September
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Wealth management products at fair value:			
At the beginning of the year	12,000	596,189	297,171
Acquisition of financial assets at fair value	578,270	20,753	2,500
Disposal of financial assets at fair value	(12,000)	(314,393)	(66,875)
Fair value changes	17,919	(5,378)	(4,039)
At the end of the year	596,189	297,171	228,757

20. PROPERTIES UNDER DEVELOPMENT

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	7,194,049	29,236,145	61,379,980
Additions	22,288,337	43,331,897	64,690,259
Acquisition of subsidiaries (note 32)	1,371,558	2,002,701	1,026,716
Disposal of subsidiaries (note 33)	—	(900,476)	(3,115,570)
Transferred to completed properties held for sale (note 21)	(1,615,929)	(12,385,525)	(24,469,168)
Impairment losses recognised (note 6)	(22,173)	(5,988)	(54,800)
Impairment losses transferred to completed properties held for sale (note 21)	20,303	101,226	23,989
At the end of the year	29,236,145	61,379,980	99,481,406

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

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB16,518,063,000, RMB36,877,693,000 and RMB43,299,210,000 as at 31 December 2016, 2017 and 2018, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 28).

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

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	(117,357)	(119,227)	(23,989)
Impairment losses recognised (note 6)	(22,173)	(5,988)	(54,800)
Impairment losses transferred to completed properties held for sale (note 21)	20,303	101,226	23,989
At the end of the year	(119,227)	(23,989)	(54,800)

The value of properties under development was assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its net realisable value. (The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing, less applicable variable selling expenses and anticipated costs at completion, at the end of each reporting period.)

21. COMPLETED PROPERTIES HELD FOR SALE

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	1,809,147	1,128,074	2,302,650
Transferred from properties under development (note 20)	1,615,929	12,385,525	24,469,168
Transferred to cost of properties sold (note 6)	(2,294,518)	(11,181,321)	(23,204,462)
Impairment losses written off (note 6)	17,819	71,598	53,029
Impairment losses transferred from properties under development (note 20)	(20,303)	(101,226)	(23,989)
Carrying amount at the end of the year	1,128,074	2,302,650	3,596,396

The movements in provision for impairment of completed properties held for sale are as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	—	(2,484)	(32,112)
Impairment losses written off	17,819	71,598	53,029
Impairment losses transferred from properties under development (note 20)	(20,303)	(101,226)	(23,989)
At the end of the year	(2,484)	(32,112)	(3,072)

The value of completed properties held for sale was assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on prevailing market price less applicable selling expenses.

22. TRADE RECEIVABLES

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables	—	—	4,354
Impairment	—	—	—
	—	—	4,354

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Less than 1 year	—	—	4,354
Over 1 year	—	—	—
	—	—	4,354

Receivables that were not past due relate to a large number of diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, there has not been a loss allowance provision.

23. PREPAYMENTS AND OTHER RECEIVABLES

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Prepaid tax and other tax recoverable	861,579	2,474,097	4,831,011
Deposits related to third parties' land use rights	171,413	570,729	1,061,478
Deposits for land auction	1,111,600	264,804	1,310,696
Other deposits	115,981	355,225	3,110,325
Progress prepayments for acquisition of land use rights	137,800	1,334,026	370,952
Prepayments for construction cost	3,448	135,362	214,589
Prepayments for investments in joint ventures and associates	—	46,202	96,202
Receivables from disposal of subsidiaries, joint ventures and associates	—	85,000	85,000
Due from non-controlling shareholders of subsidiaries	381,110	2,303,945	10,511,110
Other receivables	133,638	193,220	728,357
	2,916,569	7,762,610	22,319,720
Less: Impairment	497	2,659	13,623
Less: Portion classified as current assets	2,916,072	7,713,749	22,209,895
Non-current portion	—	46,202	96,202

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	24	497	2,659
Impairment losses recognised	473	2,162	10,964
At the end of the year	497	2,659	13,623

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and other deposits were regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB497,000, RMB2,659,000, and RMB13,623,000 as at 31 December 2016, 2017 and 2018, respectively.

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

Group

	31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Cash and bank balances	8,501,037	16,484,323	23,080,364
Less: Restricted cash	3,383,921	5,030,343	7,892,069
Pledged deposits	269,646	705,958	636,777
Cash and cash equivalents	4,847,470	10,748,022	14,551,518
Denominated in RMB	4,847,470	10,748,022	14,551,510
Denominated in HK$	—	—	8
	4,847,470	10,748,022	14,551,518

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2016, 2017 and 2018, such restricted cash amounted to RMB3,383,921,000, RMB5,030,343,000 and RMB7,892,069,000, respectively.

Certain of the Group's pledged deposits with aggregate carrying amounts of approximately RMB21,500,000 as at 31 December 2018, have been pledged to secure bank and other borrowings granted to the Group (note 28).

Bank deposits of RMB269,646,000, RMB705,958,000 and RMB615,277,000 were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes as at 31 December 2016, 2017 and 2018, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The internal credit rating of restricted cash, pledged deposits and cash and cash equivalents were regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

Company

	31 December 2018
	RMB'000
Cash and bank balances	1,144
Less: Restricted cash	—
Pledged deposits	—
Cash and cash equivalents	1,144
Denominated in RMB	1,144
	1,144

25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Less than 1 year	1,976,554	4,809,384	8,421,930
Over 1 year	10,127	30,158	76,365
	1,986,681	4,839,542	8,498,295

Trade and bills payables are unsecured and interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

26. OTHER PAYABLES AND ACCRUALS

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Due to non-controlling shareholders of subsidiaries	967,692	1,744,072	14,711,981
Advances from third parties related to land auction	219,843	812,206	2,384,679
Retention deposits related to construction	419,684	726,450	1,006,885
Deposits related to sales of properties	33,301	237,287	576,755
Business tax and surcharges	22,826	222,111	369,625
Payroll and welfare payable	51,118	219,518	675,027
Interest payable	102,732	119,878	160,719
Others	87,148	235,160	590,497
	1,904,344	4,316,682	20,476,168

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

27. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contract liabilities	16,882,989	51,891,569	95,482,250

The Group receives payments from customers based on billing schedules as established in the property sales contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

The following table shows the revenue recognised during Relevant Periods related to carried-forward contract liabilities.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year			
Sale of properties	1,810,832	9,332,420	25,266,984

The following table includes the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to sales of properties as at the end of each of the Relevant Periods.

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Expected to be satisfied within one year	9,434,035	25,956,532	57,390,581
Expected to be satisfied over one year	13,369,437	36,154,078	56,248,173
	22,803,472	62,110,610	113,638,754

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2016			31 December 2017			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans — secured	8.40	2017	95,238	6.32-10.20	2018	887,000	4.57-14.40	2019	490,000
Bank loans — unsecured	10.00	2017	300,000			—	9.00-12.50	2019	232,000
Other loans — secured	6.18-19.06	2017	6,799,259	5.70-13.00	2018	3,488,744	9.00-14.00	2019	5,854,621
Other loans — unsecured	9.80-12.50	2017	110,550	12.00	2018	178,860	6.53-18.00	2019	673,201
Current portion of long term bank loans — secured	5.23-8.00	2017	1,651,800	5.00-7.41	2018	1,375,822	5.25-9.80	2019	4,593,900
Current portion of long term other loans — secured	9.00-10.00	2017	835,286	6.85-13.91	2018	1,630,638	6.15-12.50	2019	2,624,950
			9,792,133			**7,561,064**			**14,468,672**
Non-current									
Bank loans — secured	5.23-8.08	2018-19	5,499,100	4.75-10.85	2019-20	9,863,878	4.51-9.80	2020-21	5,211,318
Bank loans — unsecured			—			—	9.45	2021	820,000
Other loans — secured	6.18-11.78	2018-19	4,892,973	6.00-10.50	2019-20	6,944,504	6.89-14.00	2020-21	4,844,927
Other loans — unsecured	6.18-9.00	2018	42,420	7.50-12.44	2019-20	106,899	13.50-14.50	2020	1,660,000
			10,434,493			**16,915,281**			**12,536,245**
			20,226,626			**24,476,345**			**27,004,917**

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	2,047,038	2,262,822	5,315,900
In the second year	2,292,100	7,744,978	3,979,318
In the third to fifth years, inclusive	3,207,000	2,118,900	2,052,000
	7,546,138	12,126,700	11,347,218
Other borrowings repayable:			
Within one year or on demand	7,745,095	5,298,242	9,152,772
In the second year	4,056,924	6,822,963	6,104,927
In the third to fifth years, inclusive	878,469	228,440	400,000
	12,680,488	12,349,645	15,657,699
	20,226,626	24,476,345	27,004,917

The Group's borrowings are all denominated in RMB.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

		31 December		
	Notes	2016	2017	2018
		RMB'000	RMB'000	RMB'000
Properties under development	20	16,518,063	36,877,693	43,299,210
Investment properties	14	—	—	349,000
Pledged deposits	24	—	—	21,500

Management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

i. The Group's bank and other borrowings were guaranteed by its related parties (note 37(4)).

ii. 三門華順投資有限公司 ("Sanmen Huashun Investment Co., Ltd.") has guaranteed certain of the bank and other borrowings of up to RMB90,000,000 as at 31 December 2016.

iii. 樂清迅弘貿易有限公司 ("Yueqing Xunhong Trading Co., Ltd.") has guaranteed certain of the bank and other borrowings of up to RMB79,000,000 as at 31 December 2017.

iv. 臨泉縣梁安置業有限公司 ("Linquan Liang'an Property Co., Ltd.") has guaranteed certain of the bank and other borrowings of up to RMB355,900,000 as at 31 December 2018.

v. 漣水瑞發置業有限公司 ("Lianshui Ruifa Property Co., Ltd.") has guaranteed certain of the bank and other borrowings of up to RMB140,000,000 as at 31 December 2018.

29. SHARE CAPITAL

Shares

	31 December 2018
	HK$
Authorised:	
38,000,000 ordinary shares of HK$0.01 each	380,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 22 March 2018 (date of incorporation)	—	—
Issuance of new shares	9,694,675	85
At 31 December 2018	9,694,675	85

The Company was incorporated in the Cayman Islands on 22 March 2018 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 at par value each. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted by the Company to a subscriber, and was transferred to Liangzhong International Co., Ltd, a company controlled by Mr. Yang Jian , on 29 March 2018.

On 29 March 2018, 1 ordinary share of HK$0.01 was allotted and issued by the Company for cash to each of Liangyi International Co., Ltd and Liangtai International Co., Ltd.

On 22 June 2018, 94 ordinary shares, 2 ordinary shares and 1 ordinary share were allotted and issued by the Company to Liangzhong International Co., Ltd., Liangyi International Co., Ltd., and Liangtai International Co., Ltd., respectively.

On 15 August 2018, 9,119,905 shares, 287,997 shares and 191,998 shares, which were all fully paid up at an aggregate consideration of US$140,265,600, were allotted and issued to Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd., respectively.

On 29 August 2018, 94,675 shares were allotted and issued to Abundant Talent Global Co., Ltd., and the issued share capital of the Company was HK$96,946.75.

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2016, 2017 and 2018 are presented in the consolidated statements of changes in equity.

(a) **Share premium**

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) **Merger reserve**

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(c) **Statutory surplus reserve**

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) **Capital reserve**

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interests in subsidiaries. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

Company

	Share premium	Retained profits	Reserves
	RMB'000	RMB'000	RMB'000
As at 31 December 2017 and 1 January 2018	—	—	—
Profit for the year	—	4,414	4,414
Issuance of new shares	954,732	—	954,732
As at 31 December 2018	954,732	4,414	959,146

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Due to related companies	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000
At 1 January 2016	5,126,397	769,605	5,896,002
Cash flows from financing activities	15,100,229	3,641,916	18,742,145
At 31 December 2016	20,226,626	4,411,521	24,638,147
Cash flows from financing activities	4,249,719	5,437,601	9,687,320
At 31 December 2017	24,476,345	9,849,122	34,325,467
Cash flows from financing activities	2,528,572	2,717,869	5,246,441
Cash flows used in non-financing activities	—	(5,147,853)	(5,147,853)
At 31 December 2018	27,004,917	7,419,138	34,424,055

32. BUSINESS COMBINATIONS

(a) Acquisition of Hangzhou Yuanmao Property Co., Ltd ("Hangzhou Yuanmao")

On 11 July 2016, the Group acquired a 100% equity interest in Hangzhou Yuanmao , an unlisted company with registered capital of RMB250,000,000 from 浙江元茂實業發展有限公司 ("Zhejiang Yuanmao Industry Development Co., Ltd.") and 浙江安吉滸畔居建設開發有限公司 ("Zhejiang Anji Lakeside Property Development Co., Ltd."). Hangzhou Yuanmao is mainly engaged in real estate development and operation. Prior to the share transfer, the ultimate controller of Hangzhou Yuanmao was Xu Songmao. Mr. Xu sold his 100% equity interest in Hangzhou Yuanmao to the Group to finance his own capital needs due to the shortage of liquidity. Immediately after the share transfer, the property market around Hangzhou city recovered. Benefit from the quick decision process and the synergy achieved, the Company was able to complete the share purchase with a bargain price. The acquisition was part of the Group's strategy to expand its market share of property development and operation. The acquisition was satisfied by cash of RMB32,000,000 at the acquisition date.

Since the acquisition, Hangzhou Yuanmao contributed RMB192,076,000 to the Group's revenue and a profit of RMB10,000,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. Had the combination taken place at 1 January 2016, the revenue and loss of the Group would have been RMB3,140,700,000 and RMB336,582,000 respectively.

The fair values of the identifiable assets and liabilities of Hangzhou Yuanmao Property Co., Ltd. as at the date of acquisition were as follows:

	Year 2016 Fair value recognised on acquisition
	RMB'000
Property, plant and equipment (note 13)	5
Properties under development (note 20)	405,780
Cash and cash equivalents	54,093
Prepayments and other receivables	12,467
Trade and bills payables	(115)
Other payables and accruals	(168,086)
Contract liabilities	(13,912)
Interest-bearing bank and other borrowings	(100,000)
Deferred tax liabilities (note 18)	(5,009)
Total identifiable net assets at fair value	185,223
Gains on bargain purchase recognised in other income and gains in profit or loss	(153,223)
Satisfied by cash	32,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(32,000)
Cash and cash equivalents acquired	54,093
Net inflow of cash and cash equivalents included in cash flows from investing activities	22,093

(b) **Acquisition of Suzhou Dingxin Wudi Real Estate Development Co., Ltd. ("Suzhou Dingxin")**

On 1 May 2016, the Group acquired a 100% equity interest in Suzhou Dingxin, an unlisted company with registered capital of RMB500,000,000. Suzhou Dingxin is mainly engaged in property development. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB500,000,000 settled at the acquisition date.

Since the acquisition, Suzhou Dingxin contributed nil to the Group's revenue and caused a loss of RMB19,349,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. Had the combination taken place at 1 January 2016, the revenue and loss of the Group would have been RMB3,113,303,000 and RMB304,891,000 respectively.

(c) **Acquisition of 無錫市聯豐置業發展有限公司 ("Wuxi Lianfeng Property Co., Ltd.") ("Wuxi Lianfeng")**

On 11 October 2017, the Group acquired a 100% equity interest in Wuxi Lianfeng, an unlisted company with registered capital of RMB100,000,000. Wuxi Lianfeng is mainly engaged in property development. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB238,000,000 at the acquisition date.

Since the acquisition, Wuxi Lianfeng contributed nil to the Group's revenue and caused a loss of RMB925,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB14,026,299,000 and RMB487,599,000, respectively.

(d) **Acquisition of Changzhou Ruiwei Property Co., Ltd. ("Changzhou Ruiwei")**

On 22 August 2017, the Group acquired a 100% equity interest in Changzhou Ruiwei, an unlisted company, with registered capital of RMB495,530,000. Changzhou Ruiwei is mainly engaged in property development and operation. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB633,832,000 settled at the acquisition date.

Since the acquisition, Changzhou Ruiwei contributed RMB28,557,000 to the Group's revenue and caused a loss of RMB2,356,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB14,107,032,000 and RMB487,513,000, respectively.

(e) **Acquisition of Jiangsu Yinwu Real Estate Development Co., Ltd. ("Jiangsu Yinwu")**

On 5 January 2017, the Group acquired a 100% equity interest in Jiangsu Yinwu, an unlisted company, with registered capital of RMB80,000,000. Jiangsu Yinwu is mainly engaged in property development and operation. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with nil at the acquisition date.

Since the acquisition, Jiangsu Yinwu contributed nil to the Group's revenue and caused a loss of RMB12,068,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB14,026,299,000 and RMB498,574,000, respectively.

(f) **Acquisition of Jiangyin Hongyang Property Co., Ltd. ("Jiangyin Hongyang")**

On 14 June 2017, the Group acquired a 100% equity interest in Jiangyin Hongyang, an unlisted company, with registered capital of RMB50,000,000. Jiangyin Hongyang is mainly engaged in property development and operation. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with nil at the acquisition date.

Since the acquisition, Jiangyin Hongyang contributed nil to the Group's revenue and caused a loss of RMB10,009,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB14,026,299,000 and RMB498,574,000, respectively.

(g) **Acquisition of Taizhou Huada Property Co., Ltd. ("Taizhou Huada")**

On 26 June 2017, the Group acquired a 70% equity interest in Taizhou Huada, an unlisted company with registered capital of RMB8,000,000. Taizhou Huada is mainly engaged in property development. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB46,226,000 settled at the acquisition date.

Since the acquisition, Taizhou Huada contributed nil to the Group's revenue and caused a loss of RMB5,470,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB14,026,299,000 and RMB497,607,000, respectively.

(h) **Acquisition of Fujian Jiajing Property Co., Ltd. ("Fujian Jiajing")**

On 3 January 2018, the Group acquired a 100% equity interest in Fujian Jiajing, an unlisted company, with registered capital of RMB110,000,000. Fujian Jiajing is mainly engaged in property development. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB110,000,000 settled at the acquisition date.

Since the acquisition, Fujian Jiajing contributed RMB110,651,000 to the Group's revenue and caused a loss of RMB82,433,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. Had the combination taken place at 1 January 2018, the revenue and profit of the Group would have been RMB30,214,688 and RMB2,577,309,000, respectively.

(i) **Acquisition of 河源市金基房地產開發有限公司 ("Heyuan Jinji Real Estate Development Co., Ltd.") ("Heyuan Jinji")**

On 11 November 2018, the Group acquired a 100% equity interest in Heyuan Jinji, an unlisted company, with registered capital of RMB10,000,000. Heyuan Jinji is mainly engaged in property development. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB134,894,588 settled at the acquisition date.

Since the acquisition, Heyuan Jinji contributed nil to the Group's revenue and caused a loss of RMB1,052,237 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. Had the combination taken place at 1 January 2018, the revenue and profit of the Group would have been RMB30,214,688,000 and RMB2,576,519,000, respectively.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired (b~i) as at the dates of acquisition were as follows:

	Year 2016 Fair value recognised on acquisition	Year 2017 Fair value recognised on acquisition	Year 2018 Fair value recognised on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 13)	5,819	36	52,385
Properties under development (note 20)	965,778	2,002,701	1,026,716
Cash and cash equivalents	24,589	36,476	15,065
Prepayments and other receivables	66,744	229,918	15,605
Deferred tax assets (note 18)	5,308	—	—
Trade and bills payables	(72,429)	(492,127)	(16,739)
Other payables and accruals	(364,946)	(554,387)	(684,717)
Contract liabilities	—	(18,388)	(1,063)
Tax payable	—	(936)	(12,116)
Interest-bearing bank and other borrowings	—	(101,000)	(49,400)
Deferred tax liabilities (note 18)	(95,178)	(159,719)	(100,841)
Total identifiable net assets at fair value	535,685	942,574	244,895
Non-controlling interests measured at non-controlling interests' proportionate share of the net assets	—	(19,515)	—
Net assets acquired	535,685	923,059	244,895
Satisfied by cash	535,685	923,059	244,895

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000	RMB'000	RMB'000
Cash consideration	(535,685)	(923,059)	(244,895)
Cash and cash equivalents acquired	24,589	36,476	15,065
Net out flow of cash and cash equivalents included in cash flows from investing activities	(511,096)	(886,583)	(229,830)

33. DISPOSAL OF SUBSIDIARIES

(a) 上海中梁毅置業有限公司 ("Shanghai Zhongliangyi Property Co., Ltd.")

Pursuant to the share transfer agreement dated 11 May 2017, the Group disposed of its 50% equity interest in Shanghai Zhongliangyi Property Co., Ltd. to 上海希盟資產經營管理有限公司 ("Shanghai Ximeng Capital Management Co., Ltd.") for a consideration of RMB85,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 June 2017.

(b) **上海新中梁房地產開發集團有限公司 ("Shanghai Xinzhongliang Real Estate Group Co., Ltd.")**

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Xinzhongliang Real Estate Co., Ltd. to a related party, 蘇州工業園區華成房地產開發有限公司 ("Suzhou Industrial Park Huacheng Real Estate Development Limited"), for a consideration of RMB100,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(c) **上海華成中梁置業有限公司 ("Shanghai Huacheng Zhongliang Real Estate Co., Ltd.")**

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Huacheng Zhongliang Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited, for a consideration of RMB60,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(d) **上海金華成置業有限公司 ("Shanghai Jinhuacheng Real Estate Co., Ltd.")**

Pursuant to the share transfer agreement dated 31 March 2018, the Group disposed of its 100% equity interest in Shanghai Jinhuacheng Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited, for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.

(e) **安徽鵠環企業管理諮詢有限公司 ("Anhui Huhuan Management Consulting Co., Ltd.")**

Pursuant to the share transfer agreement dated 2 May 2018, the Group disposed of its 100% equity interest in Anhui Huhuan Management Consulting Co., Ltd. to a related party, 浙江天劍置業有限公司 ("Zhejiang Tianjian Real Estate Co., Ltd."), for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.

(f) **濱州市梁基置業有限公司 ("Binzhou Liangji Real Estate Co., Ltd.")**

Pursuant to the share transfer agreement dated 16 April 2018, the Group disposed of its 100% equity interest in Binzhou Liangji Real Estate Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.

(g) **上海中梁物業發展有限公司 ("Shanghai Zhongliang Property Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 20 March 2018, the Group disposed of its 100% equity interest in Shanghai Zhongliang Property Development Co., Ltd. to a related party, 上海良中管理諮詢有限公司 ("Shanghai Liangzhong Management Consulting Co., Ltd."), for a consideration of RMB5,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(h) **梁嶽管理諮詢(上海)有限公司 ("Liangyue Management Consulting (Shanghai) Co., Ltd.")**

Pursuant to the share transfer agreement dated 3 May 2018, the Group disposed of its 100% equity interest in Liangyue Management Consulting (Shanghai) Co., Ltd. to a related party, 創弘棠（上海）管理諮詢有限公司 ("Chuanghongtang (Shanghai) Management Consulting Co., Ltd."), for a consideration of RMB8,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.

(i) **廈門梁博置業有限公司 ("Xiamen Liangbo Property Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 22 January 2018, the Group disposed of its 100% equity interest in Xiamen Liangbo Property Development Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 January 2018.

(j) **長沙梁軒置業有限公司 ("Changsha Liangxuan Real Estate Co., Ltd.")**

Pursuant to the share transfer agreement dated 28 August 2018, the Group disposed of its 99% equity interest in Changsha Liangxuan Real Estate Co., Ltd. to 利得股權投資管理有限公司 ("Profit Equity Investment Management Co., Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(k) **Laiwu Yinghe Zhongliang Real Estate Co., Ltd.**

Pursuant to the share transfer agreement dated 19 July 2018, the Group disposed of its 66% equity interest in Laiwu Yinghe Zhongliang Real Estate Co., Ltd. to 萊蕪贏和置業有限公司 ("Laiwu Yinghe Real Estate Co., Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

(l) **Shaoyang Liangtai Real Estate Development Co., Ltd.**

Pursuant to the share transfer agreement dated 31 July 2018, the Group disposed of its 15% equity interest in Shaoyang Liangtai Real Estate Development Co., Ltd. to 武漢長興輝業管理合夥企業（有限合夥） ("Wuhan Changxing Huiye Management Partnership (Limited Partnership)") for a consideration of RMB7,500,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

(m) **金華市福橋置業有限公司 ("Jinhua Fuqiao Property Co., Ltd.")**

Pursuant to the share transfer agreement dated 30 August 2018, the Group disposed of its 50% equity interest in Jinhua Fuqiao Real Estate Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of RMB10,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(n) **吉安中梁泰置業有限公司 ("Ji'an Zhongliangtai Property Co., Ltd.")**

Pursuant to the share transfer agreement dated 15 August 2018, the Group disposed of its 30% equity interest in Ji'an Zhongliangtai Property Co., Ltd. to 五礦國際信託有限公司 ("Minmetals International Trust Co. Ltd.") for a consideration of RMB21,430,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(o) **梁寶（杭州）互聯網科技服務有限公司 ("Liang Bao (Hangzhou) Internet Technology Service Co., Ltd.")**

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co. , Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

(p) **上海興滸置業有限公司 ("Shanghai Xinghu Real Estate Co., Ltd. ")**

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

(q) **杭州梁晟置業有限公司 ("Hangzhou Liangsheng real estate co., Ltd. ")**

Pursuant to the share transfer agreement dated 1 November 2018, the Group disposed of its 100% equity interest in Hangzhou Liangsheng Real Estate Co., Ltd. to 鴻翔房地產開發有限公司 ("Hongxiang Real Estate Co. Ltd. ") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

(r) **南京梁碩置業有限公司 ("Nanjing Liangshuo Real Estate Co., Ltd. ")**

Pursuant to the share transfer agreement dated 15 October 2018, the Group disposed of its 99% equity interest in Nanjing Liangshuo Real Estate Co., Ltd. to 嘉興盛世神州包利股權投資合夥企業（有限合夥）("Jiaxing

Shengshi Shenzhou Baoli Equity Investment Partnership (Limited Partnership)") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	Year ended 31 December 2017	Year ended 31 December 2018
	RMB'000	RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	872	2,420
Properties under development (note 20)	900,476	3,115,570
Tax recoverable	29,510	1,563
Cash and cash equivalents	370,368	75,456
Investments in associates	—	214,343
Prepayments and other receivables	468,216	2,639,274
Trade and bills payables	(47,380)	(236,169)
Contract liabilities	(1,120,816)	(334)
Interest-bearing bank and other borrowings	(449,000)	(215,000)
Other payables and accruals	(11,024)	(5,242,187)
Non-controlling interests	(70,611)	(8,724)
	70,611	346,212
Gain/(loss) on disposal of subsidiaries	14,389	(23,215)
	85,000	322,997
Satisfied by cash	—	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	Year ended 31 December 2017	Year ended 31 December 2018
	RMB'000	RMB'000
Cash consideration	—	—
Cash and cash equivalents disposed of	(370,368)	(75,456)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(370,368)	(75,456)

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group and thus the individual financial information of some subsidiaries on the disposal date was not disclosed.

34. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

		31 December		
		2016	2017	2018
	Notes	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	6,601,326	20,816,265	28,897,294
Guarantees given to banks in connection with facilities granted to related companies	(2)	97,750	435,000	6,594,169

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. The directors of the Company consider that no provision is needed in respect of the guarantees provided to the related parties as of 31 December 2016 and 2017. As of 31 December 2018, an allowance of RMB84,869,000 was provided as a result of the guarantees provided to the related companies. Further details of the provision are included in note 38 to the Historical Financial Information.

35. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties (note 14) under operating lease arrangements with leases negotiated terms ranging from 15 to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	—	1,407	9,760
In the second year	—	2,260	10,457
In the third year	—	2,957	10,993
After third years	—	48,493	198,894
	—	55,117	230,104

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of three months to six years with an option for renewal after the end of the lease terms, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	11,607	33,495	67,934
In the second to fifth years, inclusive	7,640	33,535	72,635
After five years	—	—	3,723
	19,247	67,030	144,292

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property development activities	11,587,726	16,258,723	40,652,123
Acquisition of land use rights	1,220,634	757,211	1,930,992
Capital contributions payable to joint ventures and associates	306,329	616,278	1,464,253
	13,114,689	17,632,212	44,047,368

37. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related parties	Relationship with the Group
Baoshan Biyong Real Estate Development Co., Ltd.	Joint venture
Chongqing Zhengjiang Real Estate Development Co., Ltd.	Joint venture
Fuan Zhongliangyi Real Estate Development Co., Ltd.	Joint venture
Jiaozuo Liangshun Property Co., Ltd.	Joint venture
Jiangsu Dongting Property Co., Ltd.	Joint venture
Kaihua Tongyi Real Estate Development Co., Ltd.	Joint venture
Ningbo Yu'an Property Co., Ltd.	Joint venture
Ningbo Yude Property Co., Ltd.	Joint venture
Quzhou Rongsheng Property Co., Ltd.	Joint venture
Rui'an Liangchen Property Co., Ltd.	Joint venture
Shanghai Jiaying Property Co., Ltd.	Joint venture
Shanghai Xiangyu Property Co., Ltd.	Joint venture
Shanghai Xiaoyi Investment Co., Ltd.	Joint venture
Shanghai Zhongliangyi Property Co., Ltd.	Joint venture
Wenzhou Jiadi Property Co., Ltd.	Joint venture
Wenzhou Taiduo Investment Management Co., Ltd.	Joint venture
Yantai Dachang Real Estate Development Limited	Joint venture
Yangzhou Mingxiang Property Co., Ltd.	Joint venture
Yiyang Lianghong Real Estate Development Limited	Joint venture
Zhejiang Jinhe Investment & Development Co., Ltd.	Joint venture
Zhoushan Lianghonggang Property Co., Ltd.	Joint venture

Name of related parties	Relationship with the Group
Cangnan Xinhong Guoyue Real Estate Development Limited	Joint venture
Changzhou Xujing Property Co., Ltd.	Joint venture
Fujian Lianliangsheng Real Estate Development Limited	Joint venture
Hangzhou Bisheng Property Co., Ltd.	Joint venture
Shanghai Ruichen Property Co., Ltd.	Joint venture
Shanghai Shaoxuan Property Co., Ltd.	Joint venture
Shanghai Xucheng Property Co., Ltd.	Joint venture
Suqian Ruijia Property Co., Ltd.	Joint venture
Wenzhou Liangxu Property Co., Ltd.	Joint venture
Yangzhou Jun'an Property Co., Ltd.	Joint venture
Yiwu Wuyue Real Estate Development Limited *(Note 7)*	Joint venture
Fanchang Bisheng Real Estate Development Limited	Joint venture
Shenyang Lianghong Real Estate Development Limited	Joint venture
Rui'an Yuetang Property Co., Ltd.	Joint venture
Ji'an Zhongliangtai Property Co., Ltd.	Joint venture
Yixing Lianghui Property Co., Ltd.	Joint venture
Shaoyang Liangtai Real Estate Development Limited	Joint venture
Quanzhou Guangmao Real Estate Development Co., Ltd.	Joint venture
Ningbo Yinzhou Jinding Enterprise Management Consulting Co., Ltd.	Joint venture
Hangzhou Mingchen Property Co., Ltd.	Joint venture
Taishun Chengsheng Property Co., Ltd.	Joint venture
Yichang Longtai Yangguangcheng Real Estate Development Co., Ltd.	Joint venture
Minqing Meiyuan Real Estate Development Co., Ltd.	Joint venture
Yueqing Liangrong Property Co., Ltd.	Joint venture
Wenzhou Huachen Property Co., Ltd.	Joint venture
Shuyang Xinbi Real Estate Development Co., Ltd.	Joint venture
Hefei Jinjun Lianghe Real Estate Development Limited	Associate
Chongging Haofang Real Estate Development Co., Ltd.	Associate
Anning Zhongnan Yunjing Real Estate Development Limited	Associate
Cangnan Lianghui Property Co., Ltd.	Associate
Chongqing Huayu Yexiang Property Co., Ltd.	Associate
Chongqing Tianyue Real Estate Development Limited	Associate
Chongqing Zhongliang Kunwei Real Estate Development Limited	Associate
Cixi Hexiang Property Co., Ltd.	Associate
Cixi Jinyi Real Estate Development Limited	Associate
Cixi Xingui Property Co., Ltd.	Associate
Dongyang Dongming Real Estate Development Limited	Associate

Name of related parties	Relationship with the Group
Fujian Chengxin Heyi Property Development Co., Ltd.	Associate
Hangzhou Bintong Real Estate Development Co., Ltd.	Associate
Hangzhou Fu Yang Wan Chao Property Co., Ltd.	Associate
Hangzhou Junde Real Estate Development Co., Ltd.	Associate
Hangzhou Rongyue Property Co., Ltd.	Associate
Hangzhou Xinjunda Real Estate Development Co., Ltd.	Associate
Jingjiang Xinbi Real Estate Development Co., Ltd.	Associate
Jinjiang Zhongliang Rongyu Property Development Co., Ltd.	Associate
Lianyungang Lianbi Real Estate Development Co., Ltd.	Associate
Anhui Wanhui Property Co., Ltd.	Associate
Jiujiang Biguiyuan Property Development Co., Ltd.	Associate
龍泉市中梁豐置業有限公司*(Note3)* Longquan Zhongliangfeng Property Co., Ltd.	Associate
Pingdu Zhongnan Jinchen Real Estate Development Co., Ltd.	Associate
Qingdao Zhonglianghong Property Development Co., Ltd.	Associate
Rui'an Hongfa Property Co., Ltd.	Associate
Sanming Binjiang Property Co., Ltd.	Associate
上海融蘊置業有限公司*(Note6)* Shanghai Rongyun Property Co., Ltd.	Associate
Shanghai Shaoyi Property Co., Ltd.	Associate
Shishi Zhongliang Rongyu Property Development Co., Ltd.	Associate
Taicang Gangcheng Country Garden Real Estate Development Co., Ltd.	Associate
Taizhou Zhongliangyu Property Co., Ltd.	Associate
Wenzhou Dexin Nanhu Property Co., Ltd.	Associate
Wenzhou Wanyu Property Co., Ltd.	Associate
Wenzhou Xindu Property Co., Ltd.	Associate
Wenzhou Yidun Investment Management Co., Ltd.	Associate
Wuxi Chenye Real Estate Co., Ltd.	Associate
Yangzhou Lvfeng Real Estate Development Co., Ltd.	Associate
Yueqing Kaiyu Property Co., Ltd.	Associate
Zheng Qian (Shanghai) Property Co., Ltd.	Associate
Zhoushan Helong Property Co., Ltd.	Associate
Zhuzhou Juntang Real Estate Development Co., Ltd.	Associate
Zunyi Chenliang Real Estate Co., Ltd.	Associate
Hangzhou Zhetong Investment Co., Ltd.	Associate
Jieyang Yuesen Property Co., Ltd.	Associate
Laiwu Yinghe Zhongliang Real Estate Co., Ltd.	Associate
Zhejiang Jinzhen Investment Management Co., Ltd.	Associate
Shucheng Wenzhu Real Estate Co., Ltd.	Associate

Name of related parties	Relationship with the Group
Wenzhou Xinlai Investment Management Co., Ltd.	Associate
Shandong Mingyao Property Co., Ltd.	Associate
杭州景同投資管理合夥企業(有限合夥)(Note2) Hangzhou Jingtong Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州銀晨投資管理合夥企業(有限合夥)(Note2) Hangzhou Yinchen Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
蘇州道銘物業管理合夥企業(有限合夥) Suzhou Daoming Property Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州鴻享投資管理合夥企業(有限合夥)(Note2) Hangzhou Hongxiang Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州鴻策投資管理合夥企業(有限合夥)(Note2) Hangzhou Hongce Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州宏致投資管理合夥企業(有限合夥)(Note2) Hangzhou Hongzhi Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州景致投資管理合夥企業(有限合夥)(Note2) Hangzhou Jingzhi Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
溫州景匯投資管理合夥企業(有限合夥)(Note2) Wenzhou Jinghui Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州小梁投資管理合夥企業(有限合夥)(Note2) Hangzhou Xiaoliang Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州甌昌投資管理合夥企業(有限合夥)(Note2) Hangzhou Ouchang Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州皖商投資管理合夥企業(有限合夥)(Note2) Hangzhou Wanshang Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州梁景投資管理合夥企業(有限合夥)(Note2) Hangzhou Liangjing Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州金梁合投資管理合夥企業(有限合夥)(Note2) Hangzhou Jinlianghe Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
寧波梁皓投資管理合夥企業(有限合夥)(Note2)	Company controlled by certain directors

Name of related parties	Relationship with the Group
Ningbo Lianghao Investment Management Partnership (Limited Partnership).	and/or their close family members
寧波梁瑞乙期投資管理合夥企業(有限合夥)*(Note2)* Ningbo Liangrui Yiqi Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
杭州忠義投資管理合夥企業(有限合夥)*(Note2)* Hangzhou Zhongyi Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
梁商資產管理(上海)有限責任公司*(Note2)* Liangshang Asset Management (Shanghai) Co., Ltd.	Company controlled by certain directors and/or their close family members
寧波中梁物業服務有限公司 Ningbo Zhongliang Property Service Co., Ltd.	Company controlled by certain directors and/or their close family members
蘇州觀瀾物業管理有限公司*(Note5)* Suzhou Guanlan Property Management Co., Ltd.	Company controlled by certain directors and/or their close family members
溫州市仕途投資管理合夥企業(有限合夥) Wenzhou Shitu Investment Management Partnership (Limited Partnership).	Company controlled by certain directors and/or their close family members
江蘇中權和建設有限公司 Jiangsu Zhongquanhe Construction Co., Ltd.	Company controlled by certain directors and/or their close family members
蘇州工業園區金劍創業投資有限公司*(Note 4)* (原名蘇州工業園區金劍投資管理有限公司) Suzhou Industrial Park Jinjian Venture Management Co., Ltd., previous known as Suzhou Industrial Park Jinjian Investment Management Co., Ltd.	Company controlled by certain directors and/or their close family members
蘇州億城宏商貿有限公司 Suzhou Yichenghong Trading Co., Ltd.	Company controlled by certain directors and/or their close family members
溫州啓策廣告有限公司 Wenzhou Qice Advertising Co., Ltd.	Company controlled by certain directors and/or their close family members
蘇州工業園區華成房地產開發有限公司 Suzhou Industrial Park Huacheng Real Estate Development Limited.	Controlled by the controlling shareholders
上海金華成置業有限公司 Shanghai Jinhuacheng Real Estate Co., Ltd.	Controlled by the ultimate controlling shareholders
蘇州華成投資有限公司 Suzhou Huacheng Investment Co., Ltd.	Controlled by the ultimate controlling shareholders
蘇州市相城區華成房地產開發有限公司 Suzhou Xiangcheng Huacheng Real Estate Development Co., Ltd.	Controlled by the ultimate controlling shareholders
蘇州新中梁置業有限公司 Suzhou Xinzhongliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
Shanghai Huangcheng Zhongliang Real Estate Co. Ltd.	Controlled by the ultimate controlling shareholders
上海梁地置業有限公司 (原名上海盛雅置業有限公司) Shanghai Liangdi Property Co., Ltd., previously known as Shanghai Shengya Property Co., Ltd.	Controlled by the ultimate controlling shareholders

Name of related parties	Relationship with the Group
蘇州毅冠璽商貿有限公司 Suzhou Yiguanxi Commerce & Trading Co. Ltd.	Controlled by the ultimate controlling shareholders
上海匡贊實業有限公司 Shanghai Kuangzhan Industry Co., Ltd.	Controlled by the ultimate controlling shareholders
上海良中管理諮詢有限公司 Shanghai Liangzhong Management Consulting Co., Ltd.	Controlled by the ultimate controlling shareholders
創弘棠（上海）管理諮詢有限公司 Chuanghongtang (Shanghai) Management Consulting Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市萬梁城置業有限公司*(Note1)* Wenzhou Wanliangcheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市中梁夢置業有限公司*(Note1)* Wenzhou Zhongliangmeng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
麗水市中梁城置業有限公司*(Note1)* Lishui Zhongliangcheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
臨泉縣梁安置業有限公司*(Note1)* Linquan Liang'an Property Co., Ltd.	Controlled by the ultimate controlling shareholders
蘇州浩梁置業有限公司*(Note1)* Suzhou Haoliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市大中梁置業有限公司*(Note1)* Wenzhou Dazhongliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市中梁和置業有限公司*(Note1)* Wenzhou Zhonglianghe Property Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市中梁紅置業有限公司*(Note1)* Wenzhou Zhonglianghong Property Co., Ltd.	Controlled by the ultimate controlling shareholders
金華市柏格置業有限公司*(Note1)* Jinhua Baige Property Co., Ltd.	Controlled by the ultimate controlling shareholders
蘇州金梁置業有限公司*(Note1)* Suzhou Jinliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市金中梁置業有限公司*(Note1)* Wenzhou Jinzhongliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
安徽鵠環企業管理諮詢有限公司*(Note1)* Anhui Huhuan Enterprise Management Consulting Co., Ltd.	Controlled by the ultimate controlling shareholders
濱州市梁閣置業有限公司*(Note1)* Binzhou Liangge Property Co., Ltd.	Controlled by the ultimate controlling shareholders
濱州市梁基置業有限公司*(Note1)* Binzhou Liangji Real Estate Co., Ltd.	Controlled by the ultimate controlling shareholders
南京中梁城置業有限公司*(Note1)* Nanjing Zhongliangcheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
象山石成置業有限公司*(Note1)* Xiangshan Shicheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
蕪湖縣梁生置業有限公司*(Note1)* Wuhu Liangsheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders

Name of related parties	Relationship with the Group
寧波思牧置業有限公司*(Note1)* Ningbo Simu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
六安中梁萬築置業有限公司*(Note1)* Liu'an Zhongliang Wanzhu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
舒城中梁萬築置業有限公司*(Note1)* Shucheng Zhongliang Wanzhu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
安徽中梁萬築置業有限公司*(Note1)* Anhui Zhongliang Wanzhu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
蚌埠中梁築信置業有限公司*(Note1)* Bengbu Zhongliang Zhuxin Property Co., Ltd.	Controlled by the ultimate controlling shareholders
鳳陽中梁萬築置業有限公司*(Note1)* Fengyang Zhongliang Wanzhu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
合肥中梁築城置業有限公司*(Note1)* Hefei Zhongliang Zhucheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
金華市曠世置業有限公司*(Note1)* Jinhua Kuangshi Property Co., Ltd.	Controlled by the ultimate controlling shareholders
漣水瑞發置業有限公司*(Note1)* Lianshui Ruifa Property Co., Ltd.	Controlled by the ultimate controlling shareholders
衢州市梁拓置業有限公司*(Note1)* Quzhou Liangtuo Property Co., Ltd.	Controlled by the ultimate controlling shareholders
沭陽銘源置業有限公司*(Note1)* Shuyang Mingyuan Property Co., Ltd.	Controlled by the ultimate controlling shareholders
温州市中梁投資有限公司*(Note1)* Wenzhou Zhongliang Investment Co., Ltd.	Controlled by the ultimate controlling shareholders
蕪湖縣梁春置業有限公司 Wuhu Liangchun Property Co., Ltd.	Controlled by the ultimate controlling shareholders
新幹縣中梁宏置業有限公司 Xingan Zhonglianghong Property Co., Ltd.	Controlled by the ultimate controlling shareholders
蚌埠悦鵬置業有限公司 Bengbu Yuepeng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
合肥中梁築信置業有限公司*(Note1)* Hefei Zhongliang Zhuxin Property Co., Ltd.	Controlled by the ultimate controlling shareholders
廈門創諾置業有限公司 Xiamen Chuangnuo Property Co., Ltd.	Controlled by the ultimate controlling shareholders
廈門梁博置業有限公司*(Note1)* Xiamen Liangbo Property Development Co., Ltd.	Controlled by the ultimate controlling shareholders
上海中梁達置業有限公司*(Note1)* Shanghai Zhongliangda Property Co., Ltd.	Controlled by the ultimate controlling shareholders
漳州市中梁萬順置業有限公司 Zhangzhou Zhongliang Wanshun Property Co., Ltd.	Controlled by the ultimate controlling shareholders
安徽梁珠置業有限公司*(Note1)* Anhui Liangzhu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州中梁通置業有限公司*(Note1)* Wenzhou Zhongliangtong Property Co., Ltd.	Controlled by the ultimate controlling shareholders

Name of related parties	Relationship with the Group
溫州恒富中梁置業有限公司(Note1) Wenzhou Hengfu Zhongliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
浙江新中梁房地產開發有限公司(Note1) Zhejiang Xinzhongliang Property Development Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州新中梁資產管理有限公司(Note1) Wenzhou Xinzhongliang Asset Management Co., Ltd.	Controlled by the ultimate controlling shareholders
安徽全珠房地產開發有限公司(Note1) Anhui Quanzhu Property Development Co., Ltd.	Controlled by the ultimate controlling shareholders
蚌埠中梁置地地產有限公司(Note1) Bengbu Zhongliang Property Co., Ltd.	Controlled by the ultimate controlling shareholders
利辛縣中梁運泰置業有限公司(Note1) Lixin Zhongliang Yuntai Property Co., Ltd.	Controlled by the ultimate controlling shareholders
蚌埠中梁萬築置業有限公司(Note1) Bengbu Zhongliang Wanzhu Property Co., Ltd.	Controlled by the ultimate controlling shareholders
安徽梁誠企業管理諮詢有限公司(Note1) Anhui Liangcheng Enterprise Management Consulting Co., Ltd.	Controlled by the ultimate controlling shareholders
晉江中梁博房地產開發有限公司(Note1) Jinjiang Zhongliangbo Property Development Co., Ltd.	Controlled by the ultimate controlling shareholders
安徽中梁誠銘置業有限公司(Note1) Anhui Zhongliang Chengming Property Co., Ltd.	Controlled by the ultimate controlling shareholders
浙江天劍置業有限公司(Note1) Zhejiang Tianjian Real Estate Co., Ltd.	Controlled by the ultimate controlling shareholders
嘉興秀豐裝飾工程有限公司 Jiaxing Xiufeng Decoration Engineering Co., Ltd.	Controlled by the ultimate controlling shareholders
上海達築管理諮詢有限公司 Shanghai Dazhu Management Consulting Co., Ltd.	Controlled by the ultimate controlling shareholders
溫州市新華成置業有限公司 Wenzhou Xinhuacheng Property Co., Ltd.	Controlled by the ultimate controlling shareholders
合肥群盛物業管理服務有限公司 Hefei Qunsheng Property Management Service Co., Ltd.	Controlled by the ultimate controlling shareholders
上海梁智企業發展有限公司 Shanghai Liangzhi Enterprise Development Co., Ltd.	Controlled by the ultimate controlling shareholders
待梁(上海)貿易有限公司 Dailiang (Shanghai) Trading Co., Ltd.	Controlled by the ultimate controlling shareholders
上海創奮企業發展有限公司 Shanghai Chuangfen Enterprise Development Co., Ltd.	Controlled by the ultimate controlling shareholders
平湖嘉豐裝飾工程有限公司 Pinghu Jiafeng Decoration Engineering Co.,Ltd.	Controlled by the ultimate controlling shareholders
中梁實業有限公司 Zhongliang Industry Co., Ltd.	Controlled by the ultimate controlling shareholders
上海富禹房地產諮詢有限公司 Shanghai Fuyu Real Estate Consulting Co.,Ltd.	Controlled by the ultimate controlling shareholders

Notes:

1 These companies were no longer the Group's related companies starting on 27 June 2018.

2 These companies were no longer the Group's related companies starting on 12 April 2018.

3 This company was no longer the Group's related company starting on 10 October 2018.

4 This company was no longer the Group's related company starting on 21 November 2018.

5 This company was no longer the Group's related company starting on 20 November 2018.

6 This company was no longer the Group's related company starting on 18 October 2018.

7 As at 31 December 2017, Yiwu Wuyue was accounted for as a joint venture of the Group. As at 31 December 2018, Yiwu Wuyue was accounted for as an associate of the Group.

(2) **Significant related party transactions**

The following transactions were carried out with related parties during the Relevant Periods:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Advance to related companies:			
Companies controlled by certain directors and/or their close family members	1,974	1,079,907	879,640
Joint ventures and associates	538,743	4,515,742	16,340,940
Companies controlled by the ultimate controlling shareholders	205,782	18,143,554	20,715,480
Repayment of advances to related companies:			
Companies controlled by certain directors and/or their close family members	643,330	1,383,650	1,116,338
Joint ventures and associates	1,568,898	6,828,090	10,042,749
Companies controlled by the ultimate controlling shareholders	1,451,199	19,904,577	19,092,375
Advance from related companies:			
Companies controlled by certain directors and/or their close family members	—	511,758	547,304
Joint ventures and associates	681,305	5,221,476	12,999,594
Companies controlled by the ultimate controlling shareholders	5,494,742	16,285,376	5,128,989
Repayment of advances from related companies:			
Companies controlled by certain directors and/or their close family members	—	1,288	616,639
Joint ventures and associates	442,959	2,072,345	9,494,973
Companies controlled by the ultimate controlling shareholders	2,091,172	14,507,376	5,846,406
Property management services to joint ventures and associates(Note)	—	2,414	1,199
Management consulting services to joint ventures and associates(Note)	4,125	56,057	86,338
Interest income from companies controlled by certain directors and/or their close family members(Note)	18,007	67,844	133,411
Finance costs from a company significantly impacted by certain directors(Note)	—	849	23,086
Property management services from companies controlled by the ultimate controlling shareholders(Note)	—	—	98,734

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

(3) **Disposal of subsidiaries**

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Consideration of disposal of subsidiaries (note 33)	—	85,000	273,000

(4) **Other transactions with related parties**

i. The Controlling Shareholders and Suzhou Industrial Park Huacheng Real Estate Development Limited have jointly guaranteed certain of the bank and other borrowings of up to RMB8,396,020,000, RMB8,879,937,000 and RMB5,262,550,000 as at 31 December 2016, 2017 and 2018, respectively.

ii. The Controlling Shareholders has guaranteed certain of the bank and other borrowings of up to RMB1,589,900,000, RMB1,182,650,000 and RMB2,320,339,000 as at 31 December 2016, 2017 and 2018, respectively.

iii. Suzhou Industrial Park Huacheng Real Estate Development Limited has guaranteed certain of the bank and other borrowings of up to RMB703,196,000, RMB4,877,923,000 and RMB2,055,880,000 as at 31 December 2016, 2017 and 2018, respectively.

iv. The Group and its controlling shareholders have jointly guaranteed certain bank and other borrowings of Suzhou Haoliang Property Co., Ltd. to the extent of RMB230,000,000 as at 31 December 2017.

v. Jiangsu Zhongquanhe Construction Co., Ltd provided loans to the Group for real estate development with terms of one to two years, and interest rates of 7.45% to 10.00% per annum. As at 31 December 2017 and 31 December 2018, the outstanding balances of the aforementioned loans amounted to RMB260,000,000 and RMB138,600,000, respectively. These loans were included in "Interest-bearing bank and other borrowings" in the consolidated statements of financial position of the Group.

vi. Rui'an Yuetang Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB204,000,000 as at 31 December 2018.

vii. Shucheng Wenzhu Real Estate Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB70,000,000 as at 31 December 2018.

viii. Deqing Jinhao Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB400,000,000 as at 31 December 2018.

ix. The Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB97,750,000, RMB205,000,000 and RMB6,594,169,000 as at 31 December 2016, 2017 and 2018, respectively.

x. The Group and its controlling shareholders have jointly guaranteed certain of the bank and other borrowings of Suzhou Haoliang Property Co., Ltd. to the extent of RMB230,000,000 as at 31 December 2017.

(5) **Outstanding balances with related parties**

	31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Due from companies controlled by certain directors and/or their close family members	359,099	647,977	57,655
Due from joint ventures and associates	1,030,155	3,342,503	9,560,897
Due from companies controlled by the ultimate controlling shareholders	1,245,417	3,006,440	222,891
Loan to a company controlled by certain directors and/or their close family members	282,257	297,122	—
Due to companies controlled by certain directors and/or their close family members	—	510,471	119,458
Due to joint ventures and associates	238,346	3,387,477	7,228,902
Due to companies controlled by the ultimate controlling shareholders	4,173,175	5,951,174	70,778

Balances with the above related parties were non-trade. Except for the loan to a company controlled by certain directors and/or their close family members, balances with the above related parties were unsecured non-interest bearing and repayable on demand.

(6) **Compensation of key management personnel of the Group**

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Short-term employee benefits	5,073	15,651	35,153
Pension scheme contributions	491	596	611
Total compensation paid to key management personnel	5,564	16,247	35,764

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

38. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	RMB'000
At 1 January 2018	—
Arising during the year	84,869
At 31 December 2018	84,869

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 37 to the Historical Financial Information.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2018, an ECL allowance of RMB84,869,000 was provided as a result of guarantees provided to the joint ventures and associates.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2016

Financial assets

	Financial assets at amortised cost	Financial assets at FVPL	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments and other receivables (note 23)	497,091	—	497,091
Financial assets at fair value through profit or loss (note 19)	—	596,189	596,189
Due from related companies (note 37)	2,916,928	—	2,916,928
Restricted cash (note 24)	3,383,921	—	3,383,921
Pledged deposits (note 24)	269,646	—	269,646
Cash and cash equivalents (note 24)	4,847,470	—	4,847,470
	11,915,056	596,189	12,511,245

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at FVPL	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables (note 25)	1,986,681	—	1,986,681
Other financial liabilities	—	22,217	22,217
Financial liabilities included in other payables and accruals (note 26)	1,600,082	—	1,600,082
Due to related companies (note 37)	4,411,521	—	4,411,521
Interest-bearing bank and other borrowings (note 28)	20,226,626	—	20,226,626
	28,224,910	22,217	28,247,127

31 December 2017

Financial assets

	Financial assets at amortised cost	Financial assets at FVPL	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments and other receivables (note 23)	2,659,170	—	2,659,170
Financial assets at fair value through profit or loss (note 19)	—	297,171	297,171
Due from related companies (note 37)	7,294,042	—	7,294,042
Restricted cash (note 24)	5,030,343	—	5,030,343
Pledged deposits (note 24)	705,958	—	705,958
Cash and cash equivalents (note 24)	10,748,022	—	10,748,022
	26,437,535	297,171	26,734,706

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at FVPL	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables (note 25)	4,839,542	—	4,839,542
Other financial liabilities	—	40,991	40,991
Financial liabilities included in other payables and accruals (note 26)	3,047,671	—	3,047,671
Due to related companies (note 37)	9,849,122	—	9,849,122
Interest-bearing bank and other borrowings (note 28)	24,476,345	—	24,476,345
	42,212,680	40,991	42,253,671

31 December 2018

Financial assets

	Financial assets at amortised cost	Financial assets at FVPL	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments and other receivables (note 23)	13,621,435	—	13,621,435
Financial assets at fair value through profit or loss (note 19)	—	228,757	228,757
Due from related companies (note 37)	9,841,443	—	9,841,443
Restricted cash (note 24)	7,892,069	—	7,892,069
Pledged deposits (note 24)	636,777	—	636,777
Cash and cash equivalents (note 24)	14,551,518	—	14,551,518
	46,543,242	228,757	46,771,999

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at FVPL	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables (note 25)	8,498,295	—	8,498,295
Other financial liabilities	—	59,284	59,284
Provision for financial guarantee contracts	—	84,869	84,869
Financial liabilities included in other payables and accruals (note 26)	16,839,706	—	16,839,706
Due to related companies (note 37)	7,419,138	—	7,419,138
Interest-bearing bank and other borrowings (note 28)	27,004,917	—	27,004,917
	59,762,056	144,153	59,906,209

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 December 2016	31 December 2017	31 December 2018	31 December 2016	31 December 2017	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Financial assets at FVPL	596,189	297,171	228,757	596,189	297,171	228,757
Financial liabilities						
Interest-bearing bank and other borrowings (note 28)	20,226,626	24,476,345	27,004,918	20,148,891	25,269,668	26,991,997
Other financial liabilities	22,217	40,991	59,284	22,217	40,991	59,284
Provision for financial guarantee contracts (note 38)	—	—	84,869	—	—	84,869

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair values of the financial assets at FVPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liability is categorized within level 3 of the fair value hierarchy.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016, 2017 and 2018 was assessed to be insignificant.

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVPL	—	—	596,189	596,189

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVPL	—	—	297,171	297,171

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVPL	—	—	228,757	228,757

Liabilities measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other financial liabilities	—	—	22,217	22,217

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other financial liabilities	—	—	40,991	40,991

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other financial liabilities	—	—	59,284	59,284
Provision for financial guarantee contracts	—	—	84,869	84,869
	—	—	144,153	144,153

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	20,148,891	—	20,148,891

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	25,269,668	—	25,269,668

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	26,991,997	—	26,991,997

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2016, 2017 and 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Other financial liabilities	Discounted cash flows method	Incremental borrowing cost	2017: 7.2%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB48,000/RMB48,000
			2018: 8.2%-12.5%	1% increase/decrease in incremental borrowing cost would result in a decrease/increase in fair value by RMB78,000/RMB78,000
		Expected rate of return per annum	2016: 9.87%-17.82%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB24,000/RMB24,000
			2017: 9.87%-18.32%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB20,000/RMB20,000
			2018: 9.87%-14.96%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB48,000/RMB48,000
Financial assets at FVPL	Discounted cash flow method	Expected rate of return per annum	2016: 7.1%-7.3%	1% increase/decrease in expected interest rate of return per annum would result in an increase/decrease in fair value by RMB193,000/RMB193,000
			2017: 7.1%-8%	1% increase/decrease in expected interest rate of return per annum would result in an increase/decrease in fair value by RMB63,000/RMB63,000
			2018: 8.78%	1% increase/decrease in expected interest rate of return per annum would result in an increase/decrease in fair value by RMB2,000/RMB2,000

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
		Discount rate	2016: 3.05%-3.17%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB89,000/RMB89,000
			2017: 2.95%-3.07%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB17,000/RMB17,000
			2018: 3.17%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB1,000/RMB1,000
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2018: 38.0%-39.5%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB351,003/RMB351,003
		Discount rate	2018: 2.39%-2.87%	1% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB26,422/RMB26,444

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, pledged deposits, trade receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, financial assets at fair value through profit or loss, other financial liabilities, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB5,699,000, RMB7,481,000 and RMB10,497,000 for the years ended 31 December 2016, 2017 and 2018 respectively.

(b) **Credit risk**

The Group divides financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Management makes periodic collective assessments for financial assets included in prepayments and other receivables and amounts due from related companies as well as individual assessments on the recoverability of other receivables and amounts due from related companies based on historical settlement records and past experience. The Group classified financial assets included in prepayments and other receivables and amounts due from related companies in Stage 1 and continuously monitored their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments and other receivables and amounts due from related companies.

Maximum exposure and year-end staging as at 31 December 2016, 2017 and 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2016, 2017 and 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2016

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	—	—
Financial assets included in prepayments and other receivables					
-Normal**	497,091	—	—	—	497,091
Due from related companies	2,916,928	—	—	—	2,916,928
Restricted cash					
-Not yet past due	3,383,921	—	—	—	3,383,921
Pledged deposits					
-Not yet past due	269,646	—	—	—	269,646
Cash and cash equivalents					
-Not yet past due	4,847,470	—	—	—	4,847,470
	11,915,056	—	—	—	11,915,056

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	—	—
Financial assets included in prepayments and other receivables					
-Normal**	2,659,170	—	—	—	2,659,170
Due from related companies	7,294,042	—	—	—	7,294,042
Restricted cash					
-Not yet past due	5,030,343	—	—	—	5,030,343
Pledged deposits					
-Not yet past due	705,958	—	—	—	705,958
Cash and cash equivalents					
-Not yet past due	10,748,022	—	—	—	10,748,022
	26,437,535	—	—	—	26,437,535

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	4,354	4,354
Financial assets included in prepayments and other receivables					
-Normal**	13,621,435	—	—	—	13,621,435
Due from related companies	9,841,443	—	—	—	9,841,443
Restricted cash					
-Not yet past due	7,892,069	—	—	—	7,892,069
Pledged deposits					
-Not yet past due	636,777	—	—	—	636,777
Cash and cash equivalents					
-Not yet past due	14,551,518	—	—	—	14,551,518
Financial guarantees provided to joint ventures and associates					
-Not yet past due	6,594,169	—	—	—	6,594,169
	53,137,411	—	—	4,354	53,141,765

* For Trade receivables to which the Group applies the simplified approach for impairment information based on the expected credit losses are disclosed in note 22 to the Historical Financial Information. There is no significant concentration of credit risk.

** The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(c) **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2016					
Trade and bills payables	—	1,986,681	—	—	1,986,681
Other payables	—	1,600,082	—	—	1,600,082
Due to related companies	4,411,521	—	—	—	4,411,521
Other financial liabilities	22,217	—	—	—	22,217
Interest-bearing bank and other borrowings	—	2,983,078	6,751,017	14,474,055	24,208,150
	4,433,738	6,569,841	6,751,017	14,474,055	32,228,651
31 December 2017					
Trade and bills payables	—	4,839,542	—	—	4,839,542
Other payables	—	3,047,671	—	—	3,047,671
Due to related companies	9,849,122	—	—	—	9,849,122
Other financial liabilities	40,991	—	—	—	40,991
Interest-bearing bank and other borrowings	—	2,162,860	7,834,526	18,613,882	28,611,268
	9,890,113	10,050,073	7,834,526	18,613,882	46,388,594
31 December 2018					
Trade and bills payables	—	8,498,295	—	—	8,498,295
Other payables	—	16,839,706	—	—	16,839,706
Due to related companies	7,419,138	—	—	—	7,419,138
Provision for financial guarantee contracts	84,869	—	—	—	84,869
Other financial liabilities	59,284	—	—	—	59,284
Interest-bearing bank and other borrowings	—	2,581,750	15,069,658	14,964,607	32,616,015
	7,563,291	27,919,751	15,069,658	14,964,607	65,517,307

(d) **Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, trade and bills payables, other payables and accruals, amounts due to related companies, interest-bearing bank and other borrowings, provision for financial guarantee contracts and other financial liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of each of the Relevant Periods was as follows:

	31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,986,681	4,839,542	8,498,295
Other payables and accruals	1,904,344	4,316,682	20,476,168
Due to related companies	4,411,521	9,849,122	7,419,138
Interest-bearing bank and other borrowings	20,226,626	24,476,345	27,004,917
Provision for financial guarantee contracts	—	—	84,869
Other financial liabilities	22,217	40,991	59,284
Less: Cash and cash equivalents	(4,847,470)	(10,748,022)	(14,551,518)
Net debt	23,703,919	32,774,660	48,991,153
Equity attributable to owners of the parent	(267,754)	234,717	2,578,676
Capital and net debt	23,436,165	33,009,377	51,569,829
Gearing ratio	101.14%	99.29%	95.00%

42. DUE FROM SUBSIDIARIES

Company

	31 December 2018 RMB'000
At the beginning of the year	—
Additions during the year	963,005
At the end of the year	963,005

Particulars of the subsidiaries are disclosed in note 1 to the Historical Financial Information.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2018.

44. EVENTS AFTER THE RELEVANT PERIODS

As at the date of approval of the Historical Financial Information, apart from the events detailed elsewhere in this report, the Group did not have any other significant event subsequent to 31 December 2018.

THE COMPANY

PRINCIPAL AND REGISTERED OFFICES

Registered Office

Zhongliang Holdings Group Company Limited
Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Place of Business in Hong Kong

Zhongliang Holdings Group Company Limited
Suite 1506, ICBC Tower
3 Garden Road, Central
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TRUSTEE, PAYING AND TRANSFER AGENT AND REGISTRAR

China Construction Bank (Asia) Corporation Limited
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LEGAL ADVISERS TO THE COMPANY

As to U.S. and Hong Kong laws

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As to PRC law

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As to Cayman Islands and British Virgin Islands laws

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LEGAL ADVISERS TO THE INITIAL PURCHASERS

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INDEPENDENT AUDITOR

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