SINIC

Sinic Holdings (Group) Company Limited
新力控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2103)

(the "**Company**", Stock Code: 2103)

US$250,000,000 8.50% SENIOR NOTES DUE 2022

(the "Notes", Stock Code: 40557)

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 offering memorandum dated 18 January 2021 (the "**Offering Memorandum**") appended herein in relation to the issuance of the Notes. As disclosed in the Offering Memorandum, the 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. 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 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
Sinic Holdings (Group) Company Limited
ZHANG Yuanlin
Chairman

Hong Kong, 26 January 2021

As at the date of this announcement, the Board of the Company comprises Mr. ZHANG Yuanlin and Ms. TU Jing as executive Directors, and Mr. TAM Chi Choi, Mr. AU YEUNG Po Fung and Mr. LIU Xin as 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 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, including as the same forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

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

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

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).

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Credit Suisse (Hong Kong) Limited, CMB International Capital Limited, BNP Paribas, Barclays Bank PLC, AMTD Global Markets Limited, CCB International Capital Limited, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC Securities Company Limited, HeungKong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited and Vision Capital International Holdings Limited or any person who controls it or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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

OFFERING MEMORANDUM **CONFIDENTIAL**

US$250,000,000

Sinic Holdings (Group) Company Limited

新力控股（集團）有限公司

(incorporated in the Cayman Island with limited liability)

8.50% SENIOR NOTES DUE 2022

ISSUE PRICE: 99.417%

Our 8.50% Senior Notes due 2022 (the "**Notes**") will bear interest at the rate of 8.50% per annum payable in arrears on July 25, 2021 and January 24, 2022, and will mature on January 24, 2022.

The Notes are senior obligations of Sinic Holdings (Group) Company Limited (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 January 24, 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 108.5% 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 January 24, 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) at least *pari passu* in right of payment with the Existing Notes (as defined in the "**Description of the Notes**") and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated of all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in "**Description of the Notes**" on page 175).

For a more detailed description of the Notes, see "Description of the Notes" on page 175.

The Notes are being issued as "Sustainable Notes" under our Green, Social, Sustainability Financing Framework. See the section entitled "Notes Being Issued as Green Notes."

We are concurrently conducting an offer to purchase for cash of our outstanding 11.75% senior notes due 2021 (ISIN: XS2107314234) (the "**Concurrent Offer to Purchase**"). We intend to finance the Concurrent Offer to Purchase with proceeds from internal funding and proceeds from this offering.

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See the section entitled ''Risk Factors'' beginning on page 16 and particularly pages 40-54 for risks relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Notes by way of debt issues to Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors:** The Company confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange 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 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any). The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) accept full responsibility for the accuracy of the information contained in this offering memorandum and confirms, having made all reasonable enquiries, that to the best of their knowledge there are no other material facts the omission of which would make any statement herein misleading.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**U.S. Securities Act**"), and may not be offered or sold within the United States, except pursuant to an 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 Ltd ("**Fitch**") and BB- by Lianhe Ratings Global Limited ("**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. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

It is expected that delivery of the Notes will be made on or about January 25, 2021 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 **BOC International** **UBS** **Haitong International** **Credit Suisse** **CMB International** **BNP PARIBAS** **Barclays**

Joint Bookrunners and Joint Lead Managers

AMTD **CCB International** **CNCBI** **China International Capital Corporation** **CMBC Capital** **HeungKong Financial** **HSBC** **Vision Capital International Holdings Limited**

Green Structuring Advisor

BNP PARIBAS **Barclays**

The date of this offering memorandum is January 18, 2021

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

This offering memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129, including as the same forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

The communication of this offering memorandum and any other document or materials relating to the issue of the Notes offered 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 Notes offered hereby only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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

MiFID II product governance/Professional Investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution Channels.

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

UK MiFIR product governance/Professional Investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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 OF THE INITIAL PURCHASERS, (AS DEFINED BELOW) (OTHER THAN CHINA CITIC BANK INTERNATIONAL LIMITED) 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.

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, BOCI Asia Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Credit Suisse (Hong Kong) Limited, CMB International Capital Limited, BNP Paribas, Barclays Bank PLC, AMTD Global Markets Limited, CCB International Capital Limited, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC Securities Company Limited, HeungKong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited and Vision Capital International Holdings Limited (the "**Initial Purchasers**"), China Construction Bank (Asia) Corporation Limited (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 all of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, the Initial Purchasers and the Trustee do not accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers, 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 or any person affiliated with the Initial Purchasers 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 or the Initial Purchasers.

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.

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

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

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

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

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

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

(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 of Singapore.

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 Sinic Holdings (Group) Company Limited itself and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers 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 "PRC" and "China," in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("**Macau**"), or Taiwan. "PRC government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

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

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

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

References to "BOCI Facility" are to the loan we obtained from BOCI Leveraged & Structured Finance Limited pursuant to the facility agreement dated February 12, 2020. As of the date of this offering memorandum, the BOCI Facility has been fully repaid.

References to "March 2021 Notes" are to the 11.75% senior notes due 2021 issued under the indenture dated March 11, 2020.

References to "October 2021 Notes" are to our 9.50% senior notes due 2021 issued under the indenture dated October 19, 2020.

References to "June 2022 Notes" are to our 10.5% senior notes due 2022 issued under the indenture dated June 18, 2020.

References to "Private Debt Financing" are to our private loan and private notes in an aggregate principal amount of US$169.9 million with an interest rate of 12.5% per annum due August 26, 2020. We have fully repaid the Private Debt Financing on February 24, 2020.

References to "Central and Western China Core Cities and Other Regions with High-Growth Potential" are to Changsha, Wuhan, Chengdu, and cities in the central and western parts of China and other regions that are considered by us to be core and with high-growth potential, respectively, based on our internal assessments of a wide variety of macro-economic and market factors, including but not limited to: (1) local resident population and population migration trends, (2) GDP and per capita income, (3) urbanization rate, (4) proportion of local businesses in agricultural, industrial and commercial and cultural industries, (5) investment in fixed assets, (6) disposable income of residents, (7) land price, (8) supply and demand for residential and commercial properties, (9) prices of residential properties and growth trends, (10) price-to-income ratio, (11) housing inventory and sales rate/trends, and (12) competition landscape, such as the market entries of Top 50 property developers into the local market.

References to "CAGR" are to compound annual growth rate.

References to "gross profit margin" equal gross profit for the year divided by revenue for the year and multiplied by 100%.

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

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

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

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

(a) was obtained by fraud;

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

(c) is contrary to public policy or natural justice;

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

(e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

GLOSSARY OF TECHNICAL TERMS

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

"ASP"	average selling price
"building ownership certificate"	building ownership certificate (房屋所有權證), a certificate issued by relevant authorities with respect to building ownership rights
"commercial property(ies)"	for purposes of this offering memorandum, property(ies) designated for commercial use
"completion certificate"	the construction works completion inspection acceptance certificate (房屋建築工程竣工驗收備案表), issued by local urban construction bureaus or relevant authorities in China in connection with the completion of property development projects
"construction land planning permit"	the construction land planning permit (建設用地規劃許可證), issued by local urban zoning and planning bureaus or relevant authorities in China in connection with the planning of construction land
"construction works commencement permit"	the construction works commencement permit (建築工程施工許可證), issued by local construction bureaus or relevant authorities in China in connection with the commencement of construction works
"construction works planning permit"	the construction works planning permit (建設工程規劃許可證), issued by local urban zoning and planning bureaus or relevant authorities in China in connection with the planning of construction works
"first-tier cities"	cities specified by MOHURD as such, being Beijing, Shanghai, Shenzhen and Guangzhou
"GFA"	gross floor area
"land grant contract"	the state-owned land use rights grant contract (國有土地使用權出讓合同), an agreement between a land user and the relevant PRC governmental land administrative authorities
"land use rights certificate"	the state-owned land use rights certificate (國有土地使用證), a certificate (or certificates, as the case may be) concerning one's right to use a parcel of land
"leasable GFA"	(i) in relation to completed property projects, the total GFA as shown in the relevant completion documents, survey documents and/or building ownership certificates for leasing purposes; or (ii) in relation to projects for which we have obtained pre-sales permits, the GFA as shown in the pre-sales permits, completion documents, survey documents and/or building ownership certificates for leasing purposes

"plot ratio"	the ratio of the gross floor area (excluding floor area below ground) of all buildings to their site area
"pre-sales permit"	commodity property pre-sales permit (商品房預售許可證), a permit issued by local housing and building administrative bureaus or relevant authorities in China in connection with pre-sales of properties under construction
"residential property(ies)"	for purposes of this offering memorandum, property(ies) designated for residential use
"second-tier cities"	the 36 major cities in China defined by the PRC National Statistics Bureau that are either provincial capitals, direct-controlled municipalities or among the six other major cities designated as "municipalities with independent planning" (計劃單列市) by the PRC State Council and which are not first-tier cities
"sq.m."	square meter(s)
"%"	percent

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 large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Through 10 years of operations, we have successfully established a leading position among residential property developers in Jiangxi Province and, by leveraging our success and experience in Jiangxi Province, expanded our property development business into the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential. In 2019, we were ranked 36th, 32nd and 31st among the property developers in the PRC in terms of total sales amount according CRIC, China Index Academy and EH Consulting, respectively. We were recognized as one of the China's Top 50 Real Estate Developers jointly by the China Real Estate Industry Association, Shanghai Yiju Real Estate Research Institution and China Real Estate Appraisal Center in 2018 and 2019, and one of the China's Top 30 Real Estate Developers in 2020 and Growth Top 10 in 2020 by the China Real Estate Top 10 Research Committee and China Index Academy in 2020.

We strive to distinguish ourselves from our competitors by developing properties that suit the needs and preferences of our target customers featuring quality designs, convenience and comfort. We have developed three major project series for residential properties, namely, the "Wan" Series (灣系), targeting first-time home buyers, the "Yuan" Series (園系), targeting purchasers seeking to purchase a second home or upgrade their home, and the "Yue" Series (悦系) , targeting extended families or high-income households. We place a great emphasis on the quality of our products, and set detailed standards on a number of design and construction requirements, such as style, landscape, construction materials and interior designs. As a result, we have received numerous awards in recognition of our product quality. In 2019, we received the "2019 China's TOP30 Investment Value Real Estate Enterprise" on Bo'ao Real Estate Forum China Real Estate Fengshang Prize. Our first residential property project, Nanchang Dibo Wan in Nanchang, received the National Scenic Garden Construction Project Silver Prize from China Garden Network (中國園林網) in 2013.

In addition, in order to maximize investment returns, improve cash flow and achieve sustainable growth, we strive to standardize our project development cycle. We develop our properties through standardized operating procedures which not only help us to plan, design, construct and deliver properties on schedule, but also enable us to bring consistency in quality across our properties while maintaining relatively low costs.

We develop and sell quality properties. As of June 30, 2020, we had 138 property projects under various stages of development. As of June 30, 2020, our property projects had an aggregate GFA attributable to us of approximately 15.3 million sq.m. In addition to residential property development business, since August 2013, we started engaging in the development, operation and management of commercial properties and hold a portion of such commercial properties for investment purpose, with a view to not only diversifying our source of income but also enhancing the attractiveness of and facilitate demand for our residential properties. As of June 30, 2020, we had 14 commercial properties, with an aggregate GFA of approximately 371,157.5 sq.m.

Our overall market position in the PRC, quality product offerings and strong brand name have all contributed to our past financial success. In 2017, 2018 and 2019, we recorded revenue of RMB5,241.1 million, RMB8,415.7 million and RMB26,984.9 million (US$3,819.5 million), respectively, representing a CAGR of 126.9%. Our revenue increased by 24.6% from RMB6,983.2 million in the first half of 2019 to RMB8,703.4 million (US$1,231.9 million) in the first half of 2020. In 2017, 2018 and 2019, our net profit was RMB278.2 million, RMB555.0 million and RMB2,014.3 million (US$285.1 million), respectively, representing a CAGR of 164.1%. Our net profit increased by 76.2% from RMB494.3 million in the first half of 2019 to RMB871.0 million (US$123.3 million) in the first half of 2020.

Our Strengths

We believe that our market position is principally attributable to the following competitive strengths:

- leading, large-scale and comprehensive property developer in Jiangxi Province with a
- strategic and national expansion plan;
- quality products and services maximizing customer satisfaction and enhancing our brand name;
- standardized operating procedures enabling us to achieve operating efficiency while maintain high quality;
- flexible land acquisition methods and sizeable and quality land bank;
- prudent financial policy and proactive management of our capital structure; and
- visionary and experienced management team and capable operational team with proven execution capabilities.

Our Strategies

Our goal is to become a national comprehensive property developer offering quality products and services in the PRC. To achieve our goal, we intend to implement the following strategies:

- continue our strategic expansion into the selected regions and cities and further solidify our position in the PRC market;
- further elevate our customer-oriented products and services to increase our brand recognition;
- continue to implement our standardized operating procedures to increase operating efficiency; and
- maintain prudent financial policies and optimize capital structure.

Recent Developments

Land Acquisition

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

City	Location	The Group's equity interest	Planned Total GFA	Attributable GFA
		(%)	*(sq.m.)*	*(sq.m.)*
Fuzhou	Baoshui Avenue, Chongren County, Fuzhou	85	161,343	137,142
Nanchang . . .	East of Fengling Road, Qinglan New District, Jinxian County, Nanchang	100	84,044	84,044
Nanchang . . .	East of Fengling Road, Qinglan New District, Jinxian County, Nanchang	100	142,651	142,651
Nanchang . . .	Yingbin Avenue, Nanchang County, Nanchang	50	178,563	89,282
Taizhou	East of Qingnian Road, Hailing District, Taizhou	100	55,370	55,370
Nanjing	Nanjing Jiangbei New Area	33	260,144	86,783
Nanchang . . .	Wangcheng New District, Nanchang City	100	365,942	365,942

Revision of Annual Cap for Continuing Connected Transaction

On November 12, 2020, we entered into the property management related services supplemental agreement with Sinic Services Group Co., Ltd. (新力物業集團有限公司) (the "**Sinic Services**"), pursuant to which the maximum transaction amounts payable to Sinic Services in connection with the procurement of property management related services for 2020 is revised from RMB226.5 million (US$32.1 million) to RMB325.0 million (US$46.0 million).

Issuance of October 2021 Notes

On October 19, 2020, we issued 9.50% senior notes in an aggregate amount of US$250,000,000. The October 2021 Notes will mature on October 18, 2021.

Resignation of Executive Director, Change of Chief Executive Officer and Redesignation of Co-Chairman as Chairman

On September 7, 2020, Mr. Chen Kai has tendered his resignation as our Co-Chairman, the Chief Executive Officer and an executive director, with effect from October 1, 2020. On the same date, Mr. Zhang Yuanlin, our Co-Chairman and an executive director, has been appointed as the Chief Executive Officer and has been redesignated as Chairman with effect from October 1, 2020.

Approval from Shanghai Clearing House for the Issuance of Private Corporate Bonds

On June 9, 2020, we applied to Shanghai Clearing House for the issuance of the private corporate bonds. On July 19, 2020, Shanghai Clearing House approved our application to issue the private corporate bonds in the aggregate principal amount of RMB1,230 million (US$174.1 million).

The Recent Coronavirus Epidemic Outbreak

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

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it 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 September 18, 2018, as an exempted company with limited liability. Our shares have been listed on the SEHK since November 15, 2019. Our principal place of business in Hong Kong is at Suites 1016-19,10/F, Two Pacific Place, 88 Queensway, Hong Kong. Our head office in the PRC is at 7th Floor, HongQiao Vanke Center T6, No. 988 ShenChang Road, MinHang District, Shanghai, China. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.sinicdc.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	Sinic Holdings (Group) Company Limited (新力控股(集團)有限公司).
Notes Offered	US$250,000,000 aggregate principal amount of 8.50% Senior Notes due 2022 (the "**Notes**").
Offering Price	99.417% of the principal amount of the Notes.
Original Issue Date	January 25, 2021.
Maturity Date	January 24, 2022.
Interest	The Notes bear interest from (and including) January 25, 2021 at the rate of 8.50% per annum, payable in arrears.
Interest Payment Dates	July 25, 2021 and January 24, 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 of the Company, the Subsidiary Guarantor and the JV Subsidiary Guarantors, 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) 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. 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 Li Yue Company Limited, Li Yue (HK) Holdings Limited, Forest Resources Developments Limited and Icons Electronics 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 in a jurisdiction other than 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 the Consolidated Assets of all Other Non-Guarantor Subsidiaries (including the Consolidated Assets of such Restricted Subsidiary) do not account for more than 15% 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 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. See "Risk Factors – Risks Relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees."
Use of Proceeds	The gross proceeds from this offering will be approximately US$248.5 million, which we plan to use in accordance our Green, Social, Sustainability Financing Framework. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. The use of proceeds of the Notes will be in compliance with the description under this offering memorandum titled "Notes Being Issued As Green Notes"
Optional Redemption	At any time prior to January 24, 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 Agent is responsible for calculating or verifying the Applicable Premium.

	At any time and from time to time prior to January 24, 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 108.5% 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 30 days after the closing of the related Equity Offering.
Change of Control Triggering Event	Upon the occurrence of 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 the principal amount thereof 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 15 days' and not more than 30 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 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 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 January 25, 2021, 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 Agent, Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited.

Ratings	The Notes are expected to be rated B+ by Fitch and BB- 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 Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum.
Security Codes	ISIN: XS2281324389; Common Code: 228132438
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 six months ended June 30, 2019 and 2020 and the summary consolidated statements of financial position as of December 31, 2017, 2018 and 2019 and June 30, 2020 set forth below (except for EBITDA data) have been derived from our consolidated financial information for such periods and as of such dates, as audited by Ernst & Young, our independent certified public accountants, and included elsewhere in this offering memorandum. The summary condensed consolidated income statement data for the six months ended June 30, 2019 and 2020 and the summary condensed consolidated statement of financial position data as of June 30, 2020 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such periods and as of such dates, as reviewed by Ernst & Young, our independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. 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

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(US$)*	*(RMB)*	*(RMB)*	*(US$)*
	(in thousands, except percentages)						
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	5,241,086	8,415,653	26,984,943	3,819,471	6,983,191	8,703,375	1,231,883
Cost of sales	(3,473,875)	(5,272,657)	(18,986,406)	(2,687,351)	(4,672,995)	(6,073,523)	(859,651)
Gross profit	1,767,211	3,142,996	7,998,537	1,132,119	2,310,196	2,629,852	372,231
Finance income	27,417	105,680	47,178	6,678	12,892	58,482	8,278
Other income and gains	7,014	5,945	105,627	14,951	11,900	36,696	5,194
Selling and distribution expenses	(458,382)	(657,597)	(1,076,736)	(152,402)	(351,054)	(365,978)	(51,801)
Administrative expenses	(225,341)	(430,192)	(568,787)	(80,507)	(256,804)	(243,110)	(34,410)
Other expenses	(47,447)	(46,219)	(27,239)	(3,855)	(11,642)	(9,498)	(1,344)
Fair value gains on investment properties	86,038	110,159	164,786	23,324	133,780	148,507	21,020
Fair value gains/(losses) on financial assets at fair value through profit or loss	–	18,861	(24,816)	(3,512)	(63,632)	31,051	4,395
Fair value gains/(losses) on financial liabilities at fair value through profit or loss	74	242	121	17	105	40	6
Finance costs	(317,165)	(425,774)	(456,397)	(64,599)	(293,615)	(286,455)	(40,545)
Share of profits and losses of:							
Joint ventures	(18,255)	(9,466)	62,257	8,812	86,305	(17,241)	(2,440)
Associates	21,239	48,854	39,493	5,590	57,088	116,427	16,479
Profit before tax	842,403	1,863,489	6,264,024	886,615	1,635,519	2,098,773	297,062
Income tax expense	(564,198)	(1,308,536)	(4,249,750)	(601,513)	(1,141,255)	(1,227,762)	(173,778)
Profit for the year	278,205	554,953	2,014,274	285,102	494,264	871,011	123,284

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(US$)*	*(RMB)*	*(RMB)*	*(US$)*
	(in thousands, except percentages)						
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Attributable to:							
Owners of the Company	95,021	413,538	1,957,763	277,103	449,061	822,045	116,353
Non-controlling interests	183,184	141,415	56,511	7,999	45,203	48,966	6,931
	278,205	554,953	2,014,274	285,102	494,264	871,011	123,284
Other Financial Data (Unaudited)							
EBITDA[1]	1,847,704	2,866,844	8,296,005	1,174,223	1,870,129	2,173,627	307,657
EBITDA margin[2]	35.3%	34.1%	30.7%	30.7%	26.8%	25.0%	25.0%

Notes:

(1) EBITDA for any period consists of operating profit before fair value gains or losses on the investment properties and fair value gains or losses on financial asset or liabilities at fair value through profit or loss, interest income plus depreciation, amortization expenses and borrowing interest. 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	109,053	114,340	91,349	12,930	78,989	11,180
Right-of-use assets(1)	–	–	70,866	10,030	65,148	9,221
Investment properties	893,500	1,153,030	1,751,200	247,866	2,293,200	324,581
Intangible assets	6,272	5,911	25,196	3,566	26,756	3,787
Investments in joint ventures	3,389,618	3,866,086	5,992,646	848,204	7,719,733	1,092,657
Investments in associates	184,451	708,072	7,231,927	1,023,613	7,702,844	1,090,267
Long-term debt investments	617,669	564,062	–	–	–	–
Deferred tax assets	1,065,296	1,652,258	2,162,741	306,116	2,284,787	323,391
Other non-current assets	2,214,272	1,656,548	1,034,122	146,370	961,169	136,045
Total non-current assets	8,480,131	9,720,307	18,360,047	2,598,696	21,132,626	2,991,129
CURRENT ASSETS						
Properties under development	28,340,270	43,560,301	48,908,306	6,922,521	49,105,820	6,950,478
Completed properties held for sale .	1,811,813	4,094,399	2,881,983	407,918	2,218,729	314,041
Trade receivables	–	–	20,872	2,954	28,870	4,086
Due from related companies	4,515,427	5,112,386	4,796,093	678,843	5,700,128	806,801
Prepayments and other receivables .	1,205,662	4,558,824	4,055,067	573,957	5,958,220	843,331
Financial assets at fair value through profit or loss	–	64,867	281,795	39,885	514,963	72,888
Long-term debt investments within one year	121,930	314,942	–	–	–	–
Tax recoverable	42,298	116,116	320,818	45,409	357,127	50,548
Restricted cash	1,172,860	2,623,147	5,749,309	813,762	4,122,575	583,513
Pledged deposits	233,302	358,899	290,522	41,121	377,629	53,450
Cash and cash equivalents	2,876,901	7,083,520	10,558,738	1,494,492	13,242,754	1,874,390
Total current assets	40,320,463	67,887,401	77,863,503	11,020,864	81,626,815	11,553,526
CURRENT LIABILITIES						
Trade and bills payables	2,465,463	3,142,262	5,457,196	772,416	6,428,535	909,900
Other payables and accruals	1,793,657	3,898,578	3,470,586	491,230	3,137,839	444,132
Dividends payables	–	–	–	–	464,124	65,692
Contract liabilities	20,063,821	40,196,400	34,231,211	4,845,113	34,882,506	4,937,298
Due to related companies	2,294,506	1,400,187	5,957,364	843,210	7,138,786	1,010,430
Interest-bearing bank and other borrowings	9,249,127	9,224,964	10,208,923	1,444,979	10,019,449	1,418,161
Tax payable	760,298	1,686,313	5,467,328	773,850	5,876,373	831,747
Senior notes	–	–	812,145	114,952	2,028,008	287,046
Corporate bonds	–	–	624,072	88,332	621,816	88,012
Lease liabilities within one year(1) .	–	–	30,629	4,335	29,017	4,107
Financial liabilities at fair value through profit or loss	861	619	498	70	458	65
Total current liabilities	36,627,733	59,549,323	66,259,952	9,378,487	70,626,911	9,996,590
NET CURRENT ASSETS	3,692,730	8,338,078	11,603,551	1,642,376	10,999,904	1,556,935

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB)	*(RMB)*	*(RMB)*	*(US$)*	*(RMB)*	*(US$)*
			(in thousands)			
				(Unaudited)	(Unaudited)	(Unaudited)
TOTAL ASSETS LESS CURRENT LIABILITIES	12,172,861	18,058,385	29,963,598	4,241,072	32,132,530	4,548,064
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	7,426,520	12,285,740	14,521,275	2,055,353	13,897,528	1,967,067
Senior notes	–	–	–	–	1,448,251	204,987
Corporate bonds	–	592,070	406,552	57,544	416,263	58,918
Lease liabilities[(1)]	–	–	29,483	4,173	22,577	3,196
Deferred tax liabilities	151,516	120,307	110,554	15,648	195,995	27,741
Total non-current liabilities	7,578,036	12,998,117	15,067,864	2,132,718	15,980,614	2,261,909
NET ASSETS	4,594,825	5,060,268	14,895,734	2,108,354	16,151,916	2,286,155
EQUITY						
Equity attributable to owners of the parent						
Share capital	–	–	31,958	4,523	31,958	4,523
Reserves	3,924,002	4,243,624	8,135,050	1,151,442	8,438,794	1,194,434
	3,924,002	4,243,624	8,167,008	1,155,965	8,470,752	1,198,957
Non-controlling interests	670,823	816,644	6,728,726	952,389	7,681,164	1,087,198
TOTAL EQUITY	4,594,825	5,060,268	14,895,734	2,108,354	16,151,916	2,286,155

Note:

(1) We adopted IFRS 16 Leases on January 1, 2019, which superseded IAS 17 Leases. We adopted IRFS 16 using a modified retrospective method of adoption starting on January 1, 2019. We have not restated financial information from January 1, 2017 to December 31, 2018 for leases in the scope of IFRS 16 Leases. Our financial information from January 1, 2017 to December 31, 2018 is reported under IAS 17 Leases and is not comparable to the information presented for the year ended December 31, 2019 and the six months ended June 30, 2020. Differences arising from the adoption of IFRS 16 Leases have been recognized in the opening balance of consolidated statements of financial position as of January 1, 2019. The adoption of IFRS 16 did not have any significant impact on our financial position and performance for the period from January 1, 2017 to December 31, 2018, as compared to that of IAS 17.

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

RISKS RELATING TO OUR BUSINESS

We are susceptible to adverse movements in the PRC real estate market, particularly in provinces and cities where we have property development projects.

As of June 30, 2020, we had 138 property development projects in four regions across China. We had established a leading market position in Jiangxi Province in terms of contracted sales amount in 2017, 2018 and 2019 and the first half of 2020 and have expanded into three regions in the PRC, namely, the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential. For more information, see "Business – Overview." Our profitability is correlated to the performance of the PRC real estate market, which is sensitive to economic fluctuations and closely monitored by the PRC government. Any adverse movements in the prices, supply of or demand for properties in the PRC may have a material adverse effect on our business, financial condition and results of operations.

The real estate market may be affected by local, regional, national and global factors beyond our control, such as speculative activities, financial conditions, government policies, natural disasters, epidemics and hostilities, among others. Although demand for residential and commercial properties in China grew rapidly in recent years, we cannot guarantee that the real estate market in provinces and cities where we have undertaken, or will undertake, property development projects will continue to grow or that market downturns will not occur. The rising demand for residential and commercial properties in China was also accompanied by fluctuations in property prices, raising concerns over the affordability of housing and the sustainability of the growth of the real estate market. The PRC government has sought to stabilize the real estate market by promulgating various control measures. As they are designed to curb excessive interest in real estate investment, there can be no assurance that such measures will not materially and adversely affect our ability to conduct business.

We generate a majority of our revenue from our business in Jiangxi Province, and any significant decline in the economic condition of Jiangxi Province could have a material adverse effect on our results of operations, financial condition and business prospects.

We generate a majority of our revenue from our business in Jiangxi Province and we expect to continue to derive a substantial portion of our revenue from these markets. As a result, we are exposed to a greater geographical concentration risk than some of our competitors in the PRC whose operations are more geographically diversified.

The demand for commercial and residential properties in the PRC, particularly Jiangxi Province, has grown significantly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In addition, demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time.

In recent years, the PRC government has announced a series of measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level.

For as long as a majority businesses remain relatively concentrated in Jiangxi Province, if Jiangxi Province in general experiences any significant economic downturn due to imbalances in the local economy, disturbances in local financial markets, natural disasters, epidemic, hostilities or any other reason, or if more restrictive government policies on the real estate industry are imposed, or if the property market conditions of Jiangxi Province otherwise decline, our business, results of operations and financial condition may be materially and adversely affected.

In addition, certain expenses associated with our real estate property development business, including personnel costs, maintenance fees, interest, property taxes, insurance and utilities, are fixed. During the period of overall or local economic weakness, if we are unable to meaningfully decrease these costs as demand for our properties decreases, our business and financial condition may be adversely affected.

We have 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 during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total bank and other borrowings, senior notes and corporate bonds amounted to RMB16,675.6 million, RMB22,102.8 million, RMB26,573.0 million (US$3,761.2 million) and RMB28,431.3 million (US$4,024.2 million), respectively. Our bank and other borrowings and corporate bonds repayable within one year or on demand amounted to RMB9,249.1 million, RMB9,225.0 million, RMB11,645.1 million (US$1,648.3 million) and RMB12,669.3 million (US$1,793,2 million), respectively. Since June 30, 2020, we have entered into additional financing agreements. See "Description of Other Material Indebtedness" for more details. We may from time to time in the future consider other debt financing opportunities to refinance our existing loans and to support our business expansion. Our net gearing ratio, as calculated by total borrowings (including interest-bearing bank and other borrowings and corporate bonds) less cash and bank balances divided by total equity as of the end of the respective period, was 2.4 times, 3.1 times, 0.7 times and 0.7 times as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; and (ii) limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate. We have indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations.

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among others, ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or 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. See "Description of Other Material Indebtedness – PRC Loans as Agreements – Dividend Restrictions" for more details on the dividend restrictions. 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 detailed agreements, financial institutions may have veto rights over some of our above corporate actions, which will further limit our flexibility of operation and ability to raise additional funding. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness – Trust and other financing arrangements."

Moreover, our trust and other financings are generally secured by a pledge or transfer of our equity interests in the relevant project subsidiaries, and/or a lien of land use rights or development project. If we incur default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these 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 and Other Financing" for details.

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 financing to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental 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 to 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 are otherwise unable to 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 these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

We may fail to identify desirable locations and acquire land use rights for future property development projects on favorable terms, or at all.

We believe that our ability to identify desirable locations and acquire necessary land use rights is key to the sustainable growth of our business. However, our success in carrying out these business operations may be subject to factors beyond our control, such as economic conditions and changes in the regulatory landscape. The PRC government may promulgate laws and regulations that effectively reduce the availability of new land suitable for development and hinder our ability to obtain land use rights, thereby intensifying competition between us and other property developers. For more information, see "– Risks Relating to Our Industry – We may fail to compete effectively against other property developers."

Moreover, there is no assurance that we will be able to consistently capitalize on our knowledge of and experience in the PRC real estate market to identify desirable locations. To the extent that we are unable to obtain land use rights on favorable terms or at all, we may fail to achieve higher returns on the sale and lease of our properties, and thereby experience material and adverse effects on our business, financial condition and results of operations.

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

We experienced a rapid growth during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020. In 2017 2018 and 2019, our revenue amounted to RMB5,241.1 million and RMB8,415.7 and RMB26,984.9 million (US$3,876.1 million), respectively, representing a CAGR of 126.9%; and our revenue increased by 24.6% from RMB6,983.2 million in the first half of 2019 to RMB8,703.4 million (US$1,231.9 million) in the first half of 2020. In order to continue to achieve sustainable growth, we need to continue to seek development opportunities in selected regions and cities in the PRC with the potential for growth. As of June 30, 2020, we had established presence in four regions in China with an aggregate total land bank attributable to us of 15.3 million sq.m. We have established a leading market position in Jiangxi Province, and have expanded into three regions in China, namely, the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential. For more information, see "Business – Our Business Strategies." In addition, we have expanded our business operations from development of residential properties to commercial properties.

Expanding into new geographical locations involve uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would entail competition with developers who have a better-established local presence or greater access to local labors, expertise and knowledge than we do. Competitive pressures may compel us to reduce prices and increase our costs, thus lowering our profit margins. There is no guarantee that we will be able to pass any additional costs onto our customers. Furthermore, the construction, market and tax-related regulations in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments. Certain cities may also subject us to higher land acquisition costs and acquisition costs.

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

In addition, expanding into new regions and cities requires a significant amount of capital and management resources. We may not be able to manage the growth in our workforce to match the expansion of our business, and accordingly, experience issues such as capital constraints, construction delays, and lack of skillful and qualified personnel. Moreover, expanding our geographical reach will divert management attention from our existing operations. There is no guarantee that we will be able to hire, train or retain sufficient talent to successfully implement our expansion plans. Any of these issues could have a material adverse effect on our business, financial conditions, results of operations and prospects.

We may be unsuccessful in implementing our business strategies.

We formulate our business strategies based on, among others, their judgment of the business, market conditions and regulatory environment. For example, we intend to further develop our property business in Jiangxi Province, the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential for development to increase our geographical coverage and recognition level of our brand. For more information, see "Business – Our Business Strategies." However, we are subject to uncertainties in relation to implementing our business strategies and achieving the expected economic results. We may be hindered by factors beyond our control, such as competitive pressures from other members of our industry, lack of qualified and experienced personnel, natural disasters, difficulties in obtaining the required permits, licenses and certificates, delays in construction and logistical difficulties, among others. Furthermore, we may encounter risks associated with operating in the PRC. See "– Risks Relating to Our Industry" below for more details. For example, in addition to the factors mentioned above, we may fail to achieve market acceptance and brand recognition. We may also fail to accurately gauge customer preferences and adjust our product offerings appropriately. Since we expect to self-finance the implementation of our business strategies with cash flow from our operating activities and proceeds from the initial public offering, our profitability and liquidity would be materially and adversely affected in the event that we do not achieve the expected economic results. Failure to successfully implement our business strategies may weaken our competitiveness in the long term and materially and adversely affect our business, financial condition and results of operations.

We had negative operating cash flow in 2017 and 2019.

We had negative cash flow from operating activities of RMB6,547.8 million and RMB3,838.5 million (US$543.3 million) in 2017 and 2019, 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. Such cash outflows may not always be completely offset by proceeds received from our pre-sales and sale of the properties for the respective period. As a result, there could be a period during which we experience net cash outflow. Although we seek to effectively manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we mainly relied on internal resources generated from our operations, including proceeds from the pre-sales and sales of our properties, bank loans, trust financing and asset management arrangements, issue of corporate bonds as well as capital contribution from non-controlling shareholders. Negative operating cash flow may require us to obtain sufficient additional financing to meet out financing needs and obligations and to support our expansion plans. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to 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 obtain favorable terms for the financing to fund future capital expenditures and working capital. Such limitations could reduce our competitiveness and increase our exposure and sensitivity to adverse economic and industry conditions, which could materially adversely affect our financial condition and results of operations.

The timing of our property sales and progress of our property development projects may cause our results of operations to fluctuate from period to period, making it difficult to predict our future financial performance.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we derived a substantial portion of our revenue from sales and pre-sales of our properties. The timing of completion and delivery for our properties generally depends on our construction timetables. Periods during which we make a significant number of pre-sales may not be periods during which we generate corresponding levels of revenue. This signifies that our results of operations may vary from period to period depending on the number of properties being delivered in the relevant period.

Our results of operations of any given period may not be indicative of our future financial performance, although they may influence our share prices from time to time. The effect of timing on our results of operations is accentuated by the fact that, given the capital-intensive nature of our business, the number of projects we can take on at a time is limited, and the delivery timing of a limited number of projects could have a potentially significant impact on our financial performance. Moreover, our construction timetables are always subject to change due to factors beyond our control, such as market or economic conditions, natural disasters, adverse weather conditions and delays in obtaining the requisite permits, licenses and certificates from the relevant government authorities. If our results of operations do not meet market expectations, we may experience material and adverse effects on our share prices, particularly as it may be difficult for investors to predict our future financial performance.

We may fail to complete our property development projects on time, or at all.

Property development projects typically require significant capital resources and a substantial amount of time may pass before they generate revenue. The progress of a property development project may be affected by various factors, which may include, among others:

- changes in market conditions, economic downturns and/or decline in customer interest;
- availability and cost of financing;
- delays in or failure to obtain the requisite permits, licenses and certificates from relevant government authorities;
- changes in government policies, rules or regulations;
- increases in the prices of our raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent geographical or environmental conditions giving rise to the need to modify initial plans for our property development projects;
- unforeseen problems related to engineering and design;
- construction accidents, labor disputes and strikes; and
- natural disasters or adverse weather conditions.

Before we are affected by one or more of the above factors and must modify our plans, we may have already expended significant capital resources with little or no prospect of recovering or mitigating our losses. Substantial capital expenditures are generally incurred for business operations to do with land acquisition and construction. Construction itself may take longer than a year before we generate positive net cash flow through pre-sales, sales and leases. Consequently, any failure to complete property development projects on time or at all may adversely affect our business and results of operations. Our customers may be entitled to claim compensation for late delivery or terminate pre-sale agreements. We may suffer material and adverse effects on our reputation and access to future business opportunities in the long term. We are also unable to guarantee that any legal proceedings or renegotiations resulting from delays or failures to deliver will have a favorable outcome. For more information, see "– We may be involved in claims, legal proceedings and other disputes from time to time arising out of our operations, which may adversely affect our financial condition, divert management attention and harm our reputation" below.

We may not have adequate financing to fund our property development projects, and capital resources may not be available on favorable terms, or at all.

Property development is capital-intensive, with substantial capital investments made during stages such as land acquisition and construction. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we funded our property development projects primarily through pre-sale of our properties, retained revenues, bank loans, trust financing and other borrowings. However, we cannot guarantee that our capital resources will be sufficient, or that we will be always able to obtain additional external financing, which may include not only the funding sources discussed above but also real estate trusts and funds, on favorable terms, or at all. Our ability to obtain external financing may be subject to factors beyond our control, including, among others, general economic conditions, changes to regulations, our financial performance and credit availability. For more information, see "Regulation." Additionally, we cannot assure you that the PRC government will not introduce additional measures that may restrict our access to capital resources and external financing. Failure to secure sufficient capital resources or external financing on favorable terms, or at all, may hinder our ability to implement and complete our property development projects. We may thus experience material and adverse effects on our business and results of operations.

We may fail to obtain or experience delays in obtaining the relevant PRC governmental approvals, licenses or permits for our property development projects.

The real estate industry in the PRC is heavily regulated. We are required to obtain various approvals, permits, licenses and certificates throughout multiple stages of our property development projects, including but not limited to land use rights certificates, planning permits, construction work commencement permits and pre-sales permits (and renewal of the relevant approvals, licenses or permits for on-going operations). Generally, such approvals, licenses, permits or certificates are only issued or renewed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining, or result in our failure to obtain, the required approvals. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, some of our subsidiaries were not in compliance with certain construction or pre-sales related PRC laws and regulations, such as commencing construction works and pre-sales before obtaining the requisite approvals or permits. We had paid the relevant penalties in full in connection with the foregoing. Although we have improved our internal control procedures, we cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

Moreover, as the real estate industry is closely monitored by the PRC government, we anticipate that new policies will be promulgated from time to time in relation to the conditions for issuance or renewal of such approvals, licenses or permits. We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Loss of or failure to renew our permits, licenses and certificates may stall the progress of our property development projects. For more information, see "– We may fail to complete our property development projects on time, or at all."

Our property development schedule may not realize or delay, as a result of the resettlement and demolition process.

The land parcels that we acquire in the future for development may have existing buildings or other structures or may be occupied by third parties, which require resettlement and demolition. Given the nature of resettlement and demolition, which depends on various external factors that are beyond our control, we cannot guarantee that there will not be any delay in our development schedule. If the party responsible for the resettlement or demolition and the original residents fail to reach an agreement on the amount of compensation, either of them may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting residents may also refuse to relocate. Such administrative process or resistance or refusal to relocate may delay the timetable of our development projects or, in extreme cases, prevent their completion. The occurrence of any of the above events may have an adverse effect on our business, financial condition and results of operations.

As of the date of this offering memorandum, a portion of the land for one of our potential development projects, Changsha Zi Yuan Phase II, is undergoing resettlement and demolition. We cannot assure you that the resettlement and demolition process will proceed smoothly or our potential development project will not be delayed. If such delay occurs, it could adversely affect our reputation and lead to an increase in development cost, which may in turn adversely affect our business, financial position and results of operations.

We may be subject to fines or forfeit land to the PRC government if we fail to pay land grant premium or fail to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts.

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

In September 2007, the Ministry of Land and Resources issued a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice of the State Council on Promoting Land Saving and Efficient Use (國務院關於促進節約集約用地的通知) to escalate the enforcement of existing rules on idle land management. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterated the applicable rules with regard to idle land management. On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which went into effect July 1, 2012. These further measures may prevent competent land authorities from accepting any application for new land use rights or processing any title transfer transaction, lease transaction, mortgage transaction or land registration application with respect to idle land prior to the completion of the required rectification procedures.

We have not received any notice from any PRC government authority identifying any idle land caused by the enterprise or requiring us to pay idle land fees as of the date of this offering memorandum. 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 for 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 contract as a result of delays in project development, or as a result of other factor, we may lose the opportunity to develop the project as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.

We recorded deferred tax assets of RMB1,065.3 million, RMB1,652.3 million, RMB2,162.7 million (US$306.1 million) and RMB2,284.8 million (US$323.4 million), respectively, as of December 31, 2017, 2018 and 2019 and June 30, 2020. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

We may be adversely affected by material issues that affect our relationships or business ventures with our joint venture and associated company partners, and our liquidity may be further restricted if we are not able to receive dividends from joint ventures or associated company partners.

We have established a number of joint ventures and associated companies with Independent Third Parties except for Nanchang Lizhou, to jointly develop property projects. The performance of such joint ventures and associated companies may affect our results of operations and financial position. In 2017, 2018 and the first half of 2020, our share of losses of joint ventures were RMB18.3 million, RMB9.5 million and RMB17.2 million (US$2.4 million), respectively. In 2019, our share of profits of joint ventures were RMB62.3 million (US$8.9 million). Our share of profits of associates were RMB21.2 million, RMB48.9 million, RMB39.5 million (US$5.6 million) and RMB116.4 million (US$16.5 million) in 2017, 2018, 2019 and the first half of 2020, respectively.

The success of a joint venture or an associated company depends on a number of factors, some of which are beyond our control. We may not be able to force our partners to fully perform their obligations to us pursuant to our cooperation agreements. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated companies or even suffer losses. In addition, in accordance with PRC laws, our joint venture agreements and the articles of association of our joint ventures and associated companies, certain matters relating to joint ventures or associated companies may require the consent of all parties to the joint ventures and associated companies. Therefore, such joint venture agreements involve a number of risks, including (i) we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associated companies if there is a disagreement between us and our joint venture or associated company partners; or (ii) our joint venture or associated company partners may have economic or business interests or goals or philosophies that are inconsistent with ours.

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

Even if profits of our joint ventures and associated company partners are recognized, we may not receive any final remittance of surplus funds, which is typically in the form of dividend distribution, from these joint ventures and associated company partners until declaration of dividends. Such declaration will be at the discretion of the boards and shareholders of the joint ventures and associated company partners and therefore not within our control. Moreover, payments of dividends by our joint ventures and associated company partners may be subject to restrictions under PRC laws or covenants contained in agreements such as bank facility agreements to which they are subject. Accordingly, our investments in these joint ventures and associated company partners are not as liquid as our investments into our own subsidiaries. As we invest and continue to invest in joint ventures and associated company partners in property development projects, our liquidity may be further restricted if we are not able to receive dividends from our existing or future joint ventures or associated company partners, which could materially and adversely affect our ability to conduct our business.

We are subject to risk of recoverability of non-trade amounts due from our joint venture and associates and prepayments for equity investments.

In order to support the business operations of our joint ventures and associates, we recorded non-trade amounts due from our joint venture and associates amounting to RMB279.5 million, RMB1,414.1 million, RMB4,796.1 million (US$678.8 million) and RMB5,700.1 million (US$806.8 million) as December 31, 2017, 2018 and 2019 and June 30, 2020. In addition, we also made prepayments for equity investments in joint venture and associates in the amounts of RMB2,044.2 million, RMB1,201.1 million, RMB849.8 million (US$122.1 million) and RMB704.9 million (US$99.8 million) as of December 31, 2017, 2018 and 2019 and June 30, 2020. We make periodic assessments on the amounts due from our joint ventures and associates and the financial assets included in prepayments for equity investment based on historical settlement record and past experience. However, the risk of recoverability is inherent in our outstanding balances for such amounts, as the ability of the joint ventures and associates to repay us depends on a number of factors, some of which are beyond our control. As a result, we may not be able to recover the anticipated economic returns from such transactions, which may have a material adverse effect on our business, results of operation and financial condition.

We are exposed to contractual and legal risks related to pre-sales.

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and the relevant PRC laws and regulations provide remedies for breach of these undertakings. For example, should we fail to complete pre-sold properties on time, we may be liable to our customers for late delivery. Our customers may opt to claim damages should our delay extend beyond a specified period or terminate pre-sale contracts. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we had not experienced any significant delays in property development projects. We cannot guarantee that such instances will not occur in the future, particularly as they may be due to factors beyond our control. In the event that multiple or major projects are delayed at a time, we may experience material and adverse effects on our business and results of operations.

Additionally, we make certain warranties as to the quality of our properties in accordance with the "Administration Ordinance on Development and Operation of Urban Real Estate" (城市房地產開發經營管理條例) which became effective on July 20, 1998 and was amended on January 8, 2011 and March 24, 2019 and November 29, 2020, as well as the "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 and April 23, 2019. Customers in our pre-sales may allege that we did not fulfill our representations and warranties in the subsequent planning and development of our property development projects. For more information, see "Regulation – Inspection upon completion of real estate project." In dealing with such occurrences, we may suffer damage to our brand value as well as monetary losses.

In addition, under the current PRC laws, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and the use and deposit of pre-sales proceeds are also restricted. If we fail to deposit certain of the pre-sales proceeds into the designated custodial accounts in accordance with the relevant PRC laws and any relevant local requirements, we may be subject to certain disciplinary measures, including suspending the allocation of supervisory funds, suspending the qualification of commercial housing online contracting for the project and recording it in the credit files of real estate development enterprises. According to the Notice of the Ministry of Housing and Urban-Rural Development on Further Strengthening the Supervision of the Real Estate Market to Improve the Pre-sale System of Commodity Housing (住房和城鄉建設部關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), the pre-sale proceeds of commercial housing shall be fully included in the supervision account, and the supervisory authority shall be responsible for the supervision and control to ensure that the pre-sale funds are used for the construction of commercial housing projects; the pre-sale funds may be appropriated according to the construction progress, but sufficient funds must be retained to ensure the completion and delivery of the construction projects. Local regulations governing the domestic Subsidiaries further regulate the supervision of pre-sale proceeds. As of the result of violation of pre-sales regulation, we were fined by the relevant governmental authorities in 2018 and in 2020, as of the date of this offering memorandum, both fines had been fully repaid. However, there can be no assurance that the PRC government and local authorities will not ban or impose further restrictions on pre-sales. If we fail to comply with the relevant regulations and requirements, we may face fines which could have a material adverse effect on our financial conditions and results of operations.

Our operations may be dependent on a limited number of major suppliers.

Our suppliers are mainly construction contractors and construction material suppliers. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we were dependent to a certain extent on a limited number of major suppliers for our property development business. Some of our general contractors and sub-contractors are local level operating entities owned or controlled by group companies in China. Our five largest suppliers, substantially all of whom were general contractor companies in China, accounted for 62.0%, 52.7% and 34.3% of our total purchases, respectively, and our single largest supplier accounted for 41.2%, 29.8% and 17.2% of our total costs of sales during the years ended December 31, 2017, 2018 and 2019, respectively. See "Business – Suppliers and Customers" for more details. If a large number of our current major suppliers decide to terminate business relationships with us or, if the services or raw materials supplied by our current suppliers fail to meet our standards, or if our current service or raw material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely fashion, which may materially and adversely affect our business and financial results. Also see "Risk Factors – Risks Relating to Our Business – We may fail to complete our property development projects on time, or at all."

We are susceptible to the effects that interest rate hikes may have on our customers' mortgage rates and our financing costs.

Changes in interest rates generally affect our customers' mortgage rates and our financing costs. In the wake of the financial crisis, the PBOC began reducing benchmark interest rates from June 2012 onwards. For example, on June 6, 2012, China's benchmark one-year lending and deposit rate was lowered to 6.31% from 6.56% on June 8, 2012; it was lowered several more times until it reached 4.35% on October 24, 2015. As of June 30, 2020, this interest rate remained the same. While the PRC economy grows and the U.S. Federal Reserve increases its own benchmark interest rates, we anticipate that the PBOC may adjust benchmark interest rates upward. Any hike in benchmark interest rates is likely to increase our customer's mortgage rates and our financing costs. Increases in mortgage rates may slow growth in the real estate market, while increases in our financing costs may materially and adversely affect our results of operations.

We rely on contractors during the construction and development stages of our property development projects, who may not perform in accordance with our expectations.

We rely on contractors during the construction and development stage of our property development projects, selecting them based on factors such as market reputation, qualifications, prices and track record. Our contractors are also generally responsible for procuring construction materials, as well as the design of nonstandard projects, landscaping, and interior design work. However, we cannot guarantee that the services rendered or construction materials provided will always meet our expectations. For example, in the event that our contractors fail to deliver properties that are safe for habitation or use on schedule, this may affect our own timelines for delivery to our customers. There can also be no assurance that our contractors will not encounter financial or other difficulties that cause delays, create quality defects or force them to stop working altogether. For more information, see "– We may fail to complete our property development projects on time, or at all." Additionally, it is possible that we do not discover quality defects until after delivery and there is resulting damage to person or property. We may incur additional costs while taking remedial measures such as replacing contractors, purchasing new construction materials and paying compensation. Any or all of them may materially and adversely affect our business, results of operations, market reputation and access to future business opportunities.

We may experience fluctuations in our construction costs.

We believe that our ability to control construction costs is key to our continued success. Our construction costs primarily relate to the costs of employing our contractors and the prices for our construction materials. As living standards in China improve and the PRC government seeks to increase the wages of migrant workers, the costs of hiring our contractors may continue to grow going forward. Furthermore, we rely on our contractors to procure certain construction materials such as steel and cement, and are generally obliged to increase payments to them in the event that the market prices of construction materials fluctuate beyond a pre-determined range. There can be no assurance that we will be able to obtain construction materials on favorable terms or at all, or that shortages or disruptions in supply will not occur in the future. The price of construction materials has generally increased over the past three years based on the construction materials price index from the National Bureau of Statistics. Significant price increases lead to higher cost of sales, and there is no guarantee that we will be able to obtain alternative supplies of construction materials of similar quantity or quality in a timely manner, or at all. We cannot guarantee that we will be able to limit our exposure to price fluctuations or pass on additional costs to our customers. Our ability to pass on additional costs to our customers is limited as our costs may increase after we have dealt with customers in pre-sales of properties before their completion. Failure to manage our construction costs may materially and adversely affect our business and results of operations.

Actual development costs for our property development projects may deviate from our initial estimates, and substantial increases in development costs may materially and adversely affect our results of operations.

We prepare a budget prior to commencing each of our property development projects, taking into account costs for land acquisition, construction and borrowing, among others. While we have internal procedures to monitor our property development projects, factors beyond our control may force us to deviate from our plans. For example, we expect that our construction costs will increase and that interest rates may rise. For more information, see "– We may experience fluctuations in our construction costs" and "– We are susceptible to the effects that interest rate hikes may have on our customers' mortgage rates and our financing costs." Additionally, the PRC government closely monitors the PRC real estate industry and modifies the regulatory landscape from time to time. For example, it may impose additional conditions for issuance or renewal of certain permits, licenses and certificates required at various stages of our property development projects. We may experience delays and cost increases while seeking to meet the new conditions in a timely and effective manner. As we cannot anticipate when or what new policies will be promulgated, our ability to make appropriate provision beforehand is limited. Substantial increases in our development costs may lead to lower profit margins and therefore materially and adversely affect our results of operations.

Impairment losses for properties under development and completed properties held for sale may adversely affect our financial position.

The real estate market volatility may subject us to risks in connection with possible impairment loss for properties under development as well as completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment loss may arise when the carrying value of a property exceeds its recoverable amount. We cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future. If we incur impairment losses or experience increases in impairment losses for properties under development and completed properties held for sale, our financial position may be adversely affected.

We rely on real estate agents to sell and market our property development projects, who may not perform in accordance with our expectations.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we relied on our own sales and marketing team as well as local real estate agents to sell and market our property development projects. We selected and employed local real estate agents based on factors such as market reputation, qualifications, prices and track record. As the local real estate agents we employ are Independent Third Parties, we cannot assure you that they have complied in all material respects with PRC laws and regulations relevant to property sales or fulfill material terms and requirements set forth the contracts with us. In the event that our local real estate agents fail to comply with such PRC laws and regulations or fulfill material terms and requirements set forth the contracts with us, particularly in relation to representations and warranties or sales and marketing campaigns, we may suffer material and adverse effects on our brand value. We may also lose a portion of our customers, suffer reputation damage and therefore our market share in the long term. Additionally, there is no guarantee that our real estate agents will perform up to our standards of professionalism and effectiveness. We may suffer material and adverse effects on our business and results of operations, as well as incur additional costs while seeking to replace real estate agents unsuited to the task of selling and marketing our properties.

Inappropriate marketing activities or advertising of our properties may lead to penalties, undermine our sales and marketing efforts, cause deterioration to 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 number of laws and regulations regarding the marketing and promotion of our property projects, our business and our brand. If any of our advertisements are deemed false, misleading or failing to comply with the relevant laws and regulations, such as the PRC Advertising Law, we may be required to ceased to publish the advertisement and eliminate adverse effects and face a fine that may range from three to five times of the advertising fee. 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 have a material and adverse effect on our business, financial condition and results of operations.

The illiquid nature of property limits our ability to respond to any adverse movements in the performance of our investment portfolio.

We hold certain properties for investment purposes, strategically selecting them based on their potential for appreciation in value and rental income. However, the performance of the real estate market is affected by several factors, many of which are beyond our control. For more information, see "– We are susceptible to adverse movements in the PRC real estate market, particularly in provinces and cities where we have property development projects." As property investments are inherently illiquid, our ability to sell our properties in response to global, national, regional and/or local conditions, financial or otherwise, is limited. In such circumstances we cannot guarantee that we will be able to divest of properties in our investment portfolio on favorable terms or at all. We may suffer material and adverse effects on our business and financial condition, particularly as we may have expended significant capital resources in building up our investment portfolio.

Future investments or acquisitions may have a material adverse effect on our ability to manage our business.

We may make strategic investments and acquisitions that complement our operations. However, our ability to make successful strategic investment and acquisitions depend on a number of factors, including our ability to identify suitable targets, obtaining required financing on reasonable and favorable terms and governmental approval. In the event that we fail to identify suitable targets or are prevented from making such strategic investments or acquisitions due to financial, regulatory or other constraints, we may not be able to effectively implement our investment or expansion strategies.

Acquisitions typically involve a number of risks, including, but not limited to (i) failure to identify suitable targets; (ii) difficulties in integrating the operations and personnel of the acquired businesses; (iii) difficulties in maintaining uniform standards, controls and policies across the expanded group; (iv) liabilities associated with the acquired businesses that were unknown at the time of acquisition; (v) adverse impact on our results of operations due to amortization and/or impairment for goodwill associated with the acquisitions; and (vi) failure to reap the expected benefits of the investment or acquisition and take advantage of potential synergies in the case of acquisitions. Further, we cannot assure you that we will be able to make acquisitions or investments on favorable terms or within a desired time frame. There is also no assurance that such acquisitions or investment would yield the expected level of return. In addition, we may require additional financing in order to make such acquisitions and investments. Debt financing may result in an increase in the level of our indebtedness while equity financing may result in dilution of ownership of existing shareholders. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability.

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income for the period in which they arise. Our investment properties were valued, by independent property valuers as of December 31, 2017, 2018 and 2019 and June 30, 2020, on an open market and existing use basis, which reflected market conditions on the respective dates. Based on such valuation, we recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on our consolidated statement of comprehensive income. In 2017, 2018 and 2019 and the first half of 2020, our fair value gains on investment properties were RMB86.0 million, RMB110.2 million, RMB164.8 million (US$23.3 million) and RMB148.5 million (US$21.0 million), respectively.

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

Our ownership and operation of commercial properties might subject us to a variety of market, management and operational risks.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we derived a very small portion of revenue from rental income from the operation and lease of self-owned commercial properties. 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 on-going 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 a level of the then prevailing market rate, or at all, upon the expiry 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 may have an adverse effect on our business, financial condition and results of operations.

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

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we leased certain properties from independent third-party landlords mainly for our office premises and failed to register some of the lease agreements under which we are the tenant. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, 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 may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

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 places of our commercial properties, 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 among customers and guests, harm our brand, decrease our overall rents and occupancy rates and increase our costs by requiring us to implement additional safeguard measures. 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 insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

We guarantee the mortgage loans provided by financial institutions to our customers and consequently, we are liable to the mortgagees if our customers default.

Our customers may apply for mortgages to purchase our properties. As consistent with market practice, we guarantee these mortgages for up to and until purchasers of our properties obtain a "strata-title building ownership certificate" (分戶產權證) and register it in favor of the mortgage bank. The guarantee period may range from one to three years, and we generally deposit with the mortgage bank a sum equal to or less than five percent of the mortgage amount. In the event that a customer defaults on the mortgage payment, the mortgage bank may deduct the deposited sum from the payment due and demand our immediate payment of the outstanding balance. Once we have satisfied our obligations under the guarantee, the bank would then assign its rights under the mortgage to us and we would have full recourse to the property.

As we generally rely on credit assessments conducted by banks on our customers in making our guarantees, we cannot guarantee that they will be sufficient. Yet even if we were to conduct our own credit assessments on the customers, we cannot guarantee that one or more of our customers will not default on us going forward, particularly as there is limited financial or public information on many of them. There can also be no assurance that we will be able to estimate and make appropriate provision for defaults. Furthermore, any significant decline of the economic condition of the PRC or local markets in which we operate may lead to lowered income of our customers and, subsequently, an increased risk of default on loans. We did not experience any material defaults by customers on their mortgage loans during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020. In the event that several guarantee payment obligations arise at a time, we may experience material and adverse effects on our business, financial condition and results of operations, especially if the market value of our properties depreciates substantially or the prevailing conditions prevent us from reselling our properties on favorable terms.

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

Properties that we develop for sale are subject to a Land Appreciation Tax ("**LAT**"). Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in China are subject to LAT at rates ranging from 30% to 60% on the appreciated value of the properties. LAT is calculated based on the proceeds received from the sale of properties less deductible expenditures. We make provision for the estimated full amount of applicable LAT in accordance with relevant PRC tax laws and regulations. Our estimates are based on, among other factors, our own apportionment of deductible expenses, which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT.

As of the date of this offering memorandum, we had not had any disagreements with the relevant authorities respecting our LAT calculations. However, we cannot assure you that this will always be the case going forward. The relevant authorities may conclude that we are liable for more substantial LAT payments with respect to past liabilities and present obligations. Furthermore, as we expand into provinces and cities in which we have no existing business operations, we may find that our original provisions for LAT will be insufficient to cover our actual LAT obligations due to lack of experience in and knowledge of our new markets. We may experience material and adverse effects on our cash flow, financial condition and results of operations while seeking to pay the shortfall amount to relevant authorities, which may in turn lead to restrictions on our ability to implement our business strategies.

Failure to protect our intellectual property rights may materially and adversely affect our brand value.

We rely on our trade name and trademarks to build brand value and recognition, which we believe are integral to consolidating and building our market presence. However, brand value is based largely on public perception. It may diminish in the event that we fail to deliver properties that are safe for habitation, are subjected to negative publicity, offer consistently negative experiences to third parties that deal with us or are perceived as unethical or socially irresponsible. Even isolated incidents may lower market trust and reduce demand for our properties in the long term.

In particular, unauthorized use or infringement of our trade name or trademarks may impair our brand value and recognition. Third parties may use our intellectual property in ways that damage our reputation in the real estate industry. Although we are not aware that any such instances occurred during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we cannot guarantee that our measures to protect our intellectual property will be sufficient. We primarily rely on contracts with our employees and business partners under trademark and copyright laws and regulations to protect our intellectual property rights. For more information, see "Business – Intellectual Property." Despite the precautions taken, there can be no assurance that we will be able to detect all misappropriation or unauthorized use of our trade name and trademarks in a timely manner, or at all. There is also no guarantee that we will be successful in any enforcement proceedings that we undertake. Litigation to protect our intellectual property may be time-consuming, costly and divert management attention from our operations. We may experience material and adverse effects on our business and financial condition in the short term, while failures to protect our intellectual property rights may diminish our competitiveness and market share in the long term.

Compliance with PRC laws and regulations regarding environmental protection and the preservation of antiquities and monuments may delay the progress of our property development projects and create additional costs.

We are subject to various laws and regulations concerning environmental protection and the preservation of antiquities and monuments, which effectively prohibit and restrict property development in certain regions. For more information, see "Regulation." While navigating this regulatory regime, we may incur additional compliance costs, leading to lower profit margins and material and adverse effects on our results of operations. We may also be forced to delay our construction plans and fail to complete properties on time, suffering damage to our reputation and access to future business opportunities. For more information, see "– We may fail to complete our property development projects on time, or at all."

As environmental awareness grows in China, we anticipate that the PRC government will continue to promulgate increasingly stringent environmental laws and regulations. We also believe that we, and our environmental impact assessment reports, will be evaluated against higher standards for compliance with the regulatory regime. We anticipate that these developments will increase our project development costs in general. Moreover, should the public perceive us as socially irresponsible on environmental issues, the consequent damage to our reputation may diminish our brand value. For more information, see "– Failure to protect our intellectual property rights may materially and adversely affect our brand value."

Failure to retain members of our senior management team and key personnel may have a material adverse impact on our competitiveness among real estate developers and business operations.

Our continuing and future success depends on the efforts of our senior management team. As they possess industry expertise, know-how or experience in key areas such as property development, construction and sales and marketing, and losing their services may have a material and adverse effect on our ability to grow and sustain our business. Members of our senior management team collectively have an average of over 13 years in the real estate industry. For more information on our directors and senior management, see

"Management." Should any or all members of our senior management team join or form a competing business with their expertise, business relationships and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. Unexpected resignations may also leave key operations without supervisors and materially and adversely affect the implementation of our business strategies. There can be no assurance that we will be able to recruit personnel with equivalent qualifications in a timely manner or at all, as competition for experienced management is intense in our industry.

We may be involved in claims, legal proceedings and other disputes from time to time arising out of our operations, which may adversely affect our financial condition, divert management attention and harm our reputation.

We may be directly or indirectly involved in claims, legal proceedings and other disputes with various parties involved in our property development projects, such as contractors, regulatory bodies, business partners and customers. These claims, legal proceedings and other disputes may relate to, among other issues, contractual warranty disputes, employment, intellectual property and delivery without passing the necessary quality inspection procedures. For example, earlier purchasers of our properties may allege that we did not fulfill our representations and warranties in the subsequent planning and development of our property development projects. For more information, see "– We are exposed to contractual and legal risks related to pre-sales." We may also be subject to claims, legal proceedings and other disputes with our purchasers or other third parties in respect of the pricing practice of our properties and/or related work such as interior decorations. We cannot assure that we will not be involved in any major dispute or legal proceedings in the future and any involvement in such disputes or proceedings may materially and adversely affect our business, financial condition and brand name. Any claims, legal proceedings and other disputes brought against us, with or without merit, could result in substantial costs and divert capital resources and management attention. We may suffer damage to our reputation regardless of whether we prevail, leading to material and adverse effects on our business and brand value.

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

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

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

Our insurance coverage may not sufficiently cover the risks related to our business.

Consistent with customary practice in China, we do not carry any business interruption insurance or litigation insurance. For more information about the insurance policies we maintain, see "Business – Insurance." Moreover, we do not insure our property development projects against disruptions or damage caused by natural disasters, wars, civil unrest, acts of terrorism and other instances giving rise to force majeure. We may be required to bear our losses to the extent that our insurance coverage is insufficient. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our financial condition and results of operations.

We may experience failures in or disruptions to our information technology systems.

We rely on our information technology systems to manage key operational functions such as processing financial data and coordinating business operations among the operational teams between the teams at the Group and city level. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. We may thus experience material and adverse effects on our business and results of operations.

RISKS RELATING TO OUR INDUSTRY

The real estate industry is closely monitored by the PRC government and we may fail to adapt to new laws and regulations in ways that are profitable to our business.

The PRC government closely monitors the real estate industry and promulgates new laws and regulations that are relevant to our business from time to time. Among other measures, the PRC government may reduce the land available for property development, impose foreign exchange restrictions on cross-border investment and financing and restrict foreign investment. Such policies, which may be introduced to curb overheating in the real estate industry, may reduce market demand for our properties. Laws and regulations promulgated to regulate other sectors of the economy may also indirectly affect our industry; for example, the PRC government may raise benchmark interest rates in parallel with national economic growth. This could effectively increase mortgage rates for our customers and our financing costs. For more information, see "– Risks Relating to Our Business – We are susceptible to the effects that interest rate hikes may have on our customers' mortgage rates and our financing costs."

On December 28, 2020, PBOC and CBRC jointly promulgated the Notice of PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which became effective in January 2021 and requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period.

There can also be no assurance that the PRC government will not promulgate new and evermore restrictive measures in the future such as requiring real estate developers to deleverage, nor that we will be able to anticipate and make provision for such developments in advance. We may fail to adapt to and navigate the regulatory landscape in ways that are profitable to our business.

In the event that the PRC government restricts our ability to conduct pre-sales, we may lose a major source of funding for our property development projects.

Our revenue from pre-sales and sales of properties is a major source of funding for our property development projects. However, in August 2005, the PBOC issued the "2004 Real Estate Financing Report" recommending that the practice of pre-selling properties be discontinued. The reasoning was that pre-sales may create market risks and transactional irregularities. Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses"《(關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. We cannot guarantee that the PRC government will not adopt this recommendation or impose additional restrictions on pre-sales going forward. Under current PRC laws and regulations, we are required to fulfill certain conditions prior to commencing pre-sales. Additionally, we are also only able to use our proceeds to finance construction of properties to which individual pre-sales relate. In the event that the PRC government imposes bans or further restrictions on the conduct of pre-sales, we may be forced to seek alternative sources of funding to finance our property development projects. Alternative sources of funding may not be available to us on favorable terms or at all, and we may suffer material and adverse effects on our business and results of operations.

Restrictions on foreign investment may materially and adversely affect our ability to invest in our PRC subsidiaries.

In order to curtail overheating in the real estate industry, the PRC government has sought to regulate foreign investment in property.

There can be no assurance that the PRC government will not promulgate laws and regulations that materially and adversely affect our ability to invest in our PRC subsidiaries going forward. The PRC government may impose additional conditions toward establishing foreign-invested real estate enterprises and tighten foreign exchange controls. Such measures may materially and adversely affect our ability to invest in our PRC subsidiaries, and therefore hamper the growth of our business. Our PRC subsidiaries may be forced to search for other sources of financing, which may not be available on favorable terms or at all.

We may fail to compete effectively against other property developers.

The real estate market in provinces and cities where we have existing operations, or plan to have existing operations, is intensely competitive. According to C&W Report, we were ranked first among property developers in Jiangxi Province in terms of the total contracted sales amount from sale of residential properties in 2017, 2018 and 2019. In 2019, we were ranked 36th, 32nd and 31st among the property developers in the PRC in terms of total sales amount according CRIC, China Index Academy and EH Consulting, respectively. Our competitors include property developers who operate on a national, regional and local scale as well as those that come from overseas. They may have stronger capital resources, wider sales and distribution networks, greater brand or name recognition, greater expertise in regional and local markets and greater financial, technical, marketing and public relations resources than we do. Such property developers may be better positioned than we are to compete for land, financing, raw materials, skilled management and labor resources, especially in first-and second-tier cities in China. We may find that there are fewer contractors with successful track records available at a time and experience difficulties with selling our properties, delays in the issuance and renewal of our government approvals and higher costs in attracting or retaining talented employees. Our efforts to achieve market acceptance and brand recognition may require us to reduce prices for our properties, while competitive pressures steadily increase our cost of sales. There is no assurance that we will be able to pass additional costs on to our customers. Indeed, our ability to do so is limited as our costs may not increase until after our pre-sales, at which time the purchase prices have already been agreed with our pre-sale customers and cannot be changed. Failures to compete effectively may diminish our sales and erode our market share, which could in turn materially and adversely affect our business, financial condition, results of operations and competitive position.

We are exposed to risks associated with operating in an industry yet in the adjustment and optimization stage.

As the real estate industry in China is yet in the adjustment and optimization stage, investors may be discouraged from acquiring properties as there is a limited amount of accurate financial and regulatory information publicly available. Other factors that discourage investment in real estate may include the limited number of mortgage financing options available, legal uncertainties to do with enforcement of title and the lack of a liquid secondary market for residential properties. Though demand for private residential property has grown in recent years, the real estate market has experienced volatility and price fluctuations. The risk of over-supply has also surfaced as investments in real estate are increasingly made for speculative reasons. We are exposed to risks associated with operating in such a business environment. Any of the above-named factors may reduce demand for our properties. We may be forced to lower our prices, and the resulting decrease in our profit margins may materially and adversely affect our business and results of operations.

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.

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.

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. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

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 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. In addition, 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 Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the industries in which we operate remains uncertain.

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.

Restrictions on foreign investment may materially and adversely affect our ability to invest in our PRC subsidiaries.

In order to curtail overheating in the real estate industry, the PRC Government has sought to regulate foreign investment in property.

There can be no assurance that the PRC Government will not promulgate laws and regulations that materially and adversely affect our ability to invest in our PRC subsidiaries going forward. The PRC Government may impose additional conditions toward establishing foreign-invested real estate enterprises and tighten foreign exchange controls. Such measures may materially and adversely affect our ability to invest in our PRC subsidiaries, and therefore hamper the growth of our business. Our PRC subsidiaries may be forced to search for other sources of financing, which may not be available on favorable terms or at all.

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. 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 the PRC, in particular, in regions where our property development projects are located. 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 certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives and injury and destruction of assets in the region. In April 2013, another earthquake and aftershocks struck Sichuan province again and the epicenter was approximately 100 kilometers from Chengdu. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China.

Most recently, a highly infectious and COVID-19 quickly spread across China in early 2020. As of the date of this offering memorandum, the COVID-19 pandemic has spread to more than 200 countries and regions globally. A few cities in China where we have land bank and business operations have been under lockdown and facing travel and other restrictions in efforts to curb the spread of COVID-19. As a result, sales offices and construction of certain of our property development projects and our offline sales activities were temporarily suspended. Therefore, the completion of our property development projects may be delayed and sales might be lower than expected, which may, have negative impact on our business operations, profitability and cash flows. Moreover, it is possible for the local authorities to impose additional restrictions to further contain the spread of the COVID-19, which may have further adverse impact on the above-mentioned consequences and result in the worsening of the general economic and social conditions of relevant regions or cities. Recently, the precautionary measures within China have been gradually lifted by relevant governmental authorities, including Hubei province. However, as the outbreak in other countries around the world persists, we cannot assure you that similar measures will not be adopted in China again, including Hubei province or any other regions or cities to prevent or control the transmission of COVID-19. It is also possible that customers who have entered into sales contracts with us to purchase properties could default on their mortgage or payments if the general economic situation further deteriorates as a result of the epidemic. 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 the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected.

A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 or H7N9 avian flu, Ebola, the human swine flu or the ongoing COVID-19 virus outbreak especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations. In addition, the outbreak of communicable diseases, such as the COVID-19 virus outbreak, on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. The COVID-19 virus outbreak has resulted in travel restrictions and prolonged closures of relevant workplaces, which may have a material adverse effect on the global economy and financial markets. As the Chinese economy is an integral part of the global one, any material changes and developments in the global financial markets may materially and adversely affect the Chinese market conditions and in turn, our business, financial condition and results of operations.

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. Therefore, almost all of ourrevenue and income (as shown in our consolidated financial information included elsewhere in thisoffering memorandum) are attributed to our PRC operating subsidiaries and any contribution fromdirect operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. 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 RMB9,858.2 million (US$1,395.3 million), capital commitments in the amount of RMB13,754.4 million (US$1,946.8 million) and no contingent liabilities arising from guarantees. 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 (including bank and other loans, senior notes and bonds) were RMB15,762.0 million (US$2,231.0 million) and RMB12,669.3 million (US$1,793.2 million), respectively. No significant indebtedness was incurred after June 30, 2020. See "Description of Other Material Indebtedness."

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the indentures governing the Notes, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes, includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes (i) the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), (ii) interest expenses arising from lease liability which would have been classified as "operating lease" before the adoption of GAAP 16 and (iii) interest expense arising from pre-sale receipts in advance from customers, our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, 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.

The Notes may not be a suitable investment for all investors seeking exposure to green assets.

The Notes may not be a suitable investment for all investors seeking exposure to green assets. We have developed our Green, Social, Sustainability Financing Framework and intend to adopt certain obligations with respect to the issue of Sustainable Notes as described in the section headed "Notes Being Issued as Green Notes." We intend to issue Sustainable Notes for financing and refinancing of the eligible projects in alignment with the categories recognized by both the Green Bond Principles and the Social Bond Principles. We cannot guarantee that we will be able to comply with the obligations as set out in the Sustainable Bond Framework. However, it will not be an event of default under the terms of the Notes if we fail to comply with such obligations. Such failure may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Therefore, the Notes may not be a suitable investment for all investors seeking exposure to green assets.

Whilst we have agreed to certain obligation relating to reporting and use of proceeds as described under this offering memorandum titled "Notes Being Issued As Green Notes" it will not constitute a covenant or undertaking under the terms of the Notes if we were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes, in the manner specified in this offering memorandum. Any failure to use the net proceeds of the issue of the Notes in connection with green projects and/or social projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects and/or social projects. In the event that the Notes are included in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by us or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of us or the or the Joint Lead Managers makes any representation as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used to finance and/or refinance Eligible Green Projects and Eligible Social Projects (each as defined in the section entitled "Notes Being Issued As Sustainable Bonds"), or (iii) the characteristics of Eligible Green Projects and Eligible Social Projects, including their environmental and sustainability criteria. Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the section headed "Notes Being Issued As Green Notes" of this offering memorandum and determine for itself the relevance of the information contained in this offering memorandum regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary.

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 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. 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 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 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 governing 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;
- 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 without satisfying the Fixed Charge Coverage Ratio. 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 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.

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 listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. 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 or us may be lowered or withdrawn in the future.

The Notes are expected to be rated B+ by Fitch and BB- by Lianhe Global. The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a corporate rating of B+ with a stable outlook by Fitch, B2 with a stable outlook by Moody's, B with a stable outlook by S&P and BB- (positive) 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 the ratings on the Notes 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 us may indirectly 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 British Virgin Islands and other local insolvency laws may differ from the United States bankruptcy laws or those of another jurisdiction with which holders of the Notes are familiar.

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

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the 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%.

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.

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 other non-Guarantor Subsidiaries (including the consolidated asset of such Restricted Subsidiary) do not account for more than 15% 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 British Virgin Islands, 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:

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in the British Virgin Islands:

- incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);
- 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 no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor;
- in the case of ii. and iii., a guarantee will be only be voidable if (1) it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so where insolvent in this context under the British Virgin Islands law means that the guarantor is unable to pay its debts as they fall due and (2) the guarantee was given within the six month period preceding the commencement of liquidation, or, if the guarantor and beneficiary are connected entities, two years.

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

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

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$248.5 million, which we plan to use in accordance our Green, Social, Sustainability Financing Framework. The use of proceeds of the Notes will be in compliance with the description under this offering memorandum titled "Notes Being Issued As Green Notes".

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

NOTES BEING ISSUED AS GREEN NOTES

PURPOSE

Our Green, Social, Sustainability Financing Framework has been developed to demonstrate how we will enter into Sustainable Financing Transactions to fund new and existing projects and businesses with environmental and social benefits in alignment with the ICMA Green Bond Principles 2018 (GBP), ICMA Social Bond Principles 2020 ("**SBP**"), ICMA Sustainability Bond Guidelines 2018 ("**SBG**") and LMA Green Loan Principles 2020 ("**GLP**"). Sustainable Financing Transactions include the issuance of Green Bonds, Social Bonds as well as Sustainability Bonds. Our Green, Social, Sustainability Financing Framework is made public on our website.

ASSERTIONS FROM MANAGEMENT

For each Sustainable Financing Transaction issued, we assert that it will adopt: (1) use of proceeds: (2) project evaluation and selection; (3) management of proceeds; and (4) reporting, as set out in our Green, Social, Sustainability Financing Framework.

1. Use of Proceeds

An equivalent amount of the net proceeds of each Sustainable Financing Transaction will be used to finance or refinance in whole or in part, new or existing "Eligible Green Projects" and/or "Eligible Social Projects". "Eligible Green Projects" and "Eligible Social Project" refer to projects that provide expenditure on projects that are consistent with clear environmental, social and/or sustainability benefits recognized by the standards mentioned above.

"**Eligible Green Projects**" refers to projects that meet one or more of the following categories of eligibility as recognized in the GBP:

a. Green Buildings: investments and expenditures in buildings (i) belong to the top 15% of best-performing buildings regionally based on absolute emissions or primary energy demand; or (ii) meet or expected to meet regional, national or internationally recognized green building standards or certifications such as but not limited to:

- China Green Building Evaluation Label with a minimum of 2 Stars; or
- US LEED Gold or above; or
- Hong Kong BEAM Plus Gold or above;
- Any other green building certification that is equivalent of the above standards.

b. Energy Efficiency: investments and expenditures in projects that (i) dedicated to the research and development of technologies, systems and methods aimed to improve energy efficiency of buildings, and the proceeds for such research and development will not be more than 20% of proceeds for each debt instrument; or (ii) improve energy efficiency and reduce energy consumption in buildings and facilities by a minimum of 15%, such as but not limited to:

- Renovations or refurbishment of existing buildings; or
- Installation/replacement of equipment in buildings such as LED lighting, smart metering, heating ventilation and air conditioning systems.

c. Pollution Prevention and Control: investment and expenditures in projects that prevent and reduce waste and pollution, such as but not limited to:

- Equipment and technologies for reducing resource consumption and pollution emission; or

- Implementing waste sorting and recycling; or

- Sustainable wastewater management; or

- Enforcement of dust control and noise reduction, during construction and/or operation of buildings.

d. Renewable Energy: (i) expenditures from sourcing of renewable energy through long-term (five years or longer) project-tied power purchase agreements; (ii) investments and expenditures in renewable energy generation projects and related infrastructure, including but limited to:

- Solar photovoltaic; or

- Solar hot water; or

- Wind.

e. Environmentally Sustainable Management of Living Natural Resources and Land Use: investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, such as but not limited to creating and enhancing urban green space.

f. Clean Transportation: investments and expenditures in electric vehicles and related infrastructure, including but not limited to installation of charging facilities for electric vehicles.

"Eligible Social Projects" refers to projects that meet one or more of the following categories of eligibility as recognized in the SBP:

a. Affordable Housing: investments and expenditures in projects that provide affordable housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, including:

- Public rental housing

- Social housing program

b. Access to Essential Services: investment and expenditures in projects to (i) develop medical and healthcare facilities in targeted communities for general public or vulnerable groups; and (ii) develop education and training facilities in targeted communities for general public or vulnerable groups.

2. Project Evaluation and Selection

Eligible Projects will be selected by the Sinic Sustainable Finance Working Group ("**SFWG**") formed by senior representatives from the Investment Relations, Project, Operations, Corporate Finance, Human Resources, Sinic Foundation, Investment, Product, Marketing & Sale, Legal & Compliance and Finance Departments in accordance to the criteria defined in the Sustainability Finance Framework.

The SFWG may be supplemented from time to time, or expanded, by the inclusion of representatives from other relevant teams.

For new issuances, the Product Department will coordinate and compile the submission of identified projects for the SFWG's review. The SFWG will consider potential projects, assess their eligibility, and approve those that qualify as eligible projects.

For existing issuances, the Product Department will coordinate and compile relevant information for the continued monitoring of the projects' eligibility and submit them for SFWG's review. The SFWG will review semi-annually the eligibility of those projects. Should a project be considered by SFWG to be no longer meeting the criteria detailed above, projects can be removed and/or substituted on a best efforts basis, to ensure the full amount of proceeds are allocated to eligible projects.

3. Management of Proceeds

The proceeds from each Green, Social, Sustainability debt instrument issued will be managed by the Finance department with oversight by the SFWG. We will track the allocation of proceeds to eligible projects within its internal management system including descriptions of the projects, the regions in which the projects are located, and the amount of proceeds allocated to the projects.

The proceeds of each Green, Social, Sustainability debt instrument can be used both for the financing and/or refinancing of eligible projects. If all or a proportion of the proceeds are used for refinancing, we will provide an estimate of the share of financing versus refinancing. We will allow a look-back period of two years for refinanced projects.

Pending allocation, net proceeds from the sale of the notes may be invested in money market instruments with good market liquidity or used to repay existing borrowings within the Group, subject to exclusion criteria.

4. Reporting

We will publish post-issuance annual report, or more frequently in case of material developments. The reporting will provide the following information:

a. Allocation Reporting, to be disclosed annually or until full allocation will include:

- Allocation amount by eligible project category, and clearly indicating the SDG(s) of which such allocation supports
- Allocation amount by geographical distribution
- Proportion between financing and refinancing
- Project examples, subject to confidentiality

- Amount of unallocated proceeds and its temporary treatment

b. Impact Reporting: where possible and subject to data availability and confidentiality, reporting of environmental and/or social impact of the projects using relevant indicators as suggested in the ICMA Harmonized Framework for Impact Reporting:

- Green Buildings: Type/Number of green building certifications obtained; Total floor area of certified green buildings

- Energy Efficiency: Annual energy savings in (MWh for electricity) (GJ for other energy); Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent)

- Pollution Prevention and Control: Waste reduced/avoided (tonnes); Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent)

- Renewable Energy: Annual renewable energy generation (MWh for electricity) (GJ for other energy); Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent)

- Environmentally Sustainable Management of Living Natural Resources and Land Use: Area of green landscape conserved/enhanced/created in km^2

- Clean Transportation: Number of electric vehicles/charging stations built; Annual GHG emissions reduced/avoided (tonnes of CO_2 equivalent)

- Affordable Housing: Number of housing units constructed; Number of individuals/households benefitted

- Access to Essential Services: Numbers of healthcare devices/facilities deployed; Number of individuals/households benefitted.

We have engaged Sustainalytics, an independent firm that specializes in rating environmental and corporate governance performance, to provide an External Review in form of a Second Party Opinion ("**SPO**") on our Sustainable Financing Framework and to confirm the alignment with the GBP/SBP/SBG/GLP. The SPO is available on our Investor Relations website.

We may engage an independent third party to conduct post-issuance assurance on the allocation of proceeds and impact reporting.

EXCHANGE RATE INFORMATION

CHINA

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

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

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

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

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

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

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

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

Period	Noon buying rate			
	Period end	**Average[1]**	**High**	**Low**
	(HK per US$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020				
July	7.7500	7.7509	7.7538	7.7499
August	7.7502	7.7502	7.7506	7.7498
September	7.7500	7.7500	7.7504	7.7499
October	7.7548	7.7503	7.7548	7.7498
November	7.7508	7.7526	7.7552	7.7505
December	7.7534	7.7519	7.7539	7.7505
2021				
January (through January 8, 2021)	7.7555	7.7538	7.7555	7.7532

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our 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 before deducting the underwriting discounts and commission 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) (Unaudited)	*(US$)* (Unaudited)	*(RMB)* (Unaudited)	*(US$)* (Unaudited)
	(in thousands)			
Cash and cash equivalents (excluding restricted cash)(1)	13,242,754	1,874,390	14,998,304	2,122,872
Current borrowings:(2)				
Borrowings from other financial institutions – secured	1,031,397	145,985	1,031,397	145,985
Borrowings from other financial institutions – unsecured	1,667,142	235,969	1,667,142	235,969
Current portion of long term bank loans – secured	3,989,233	564,639	3,989,233	564,639
Current portion of borrowings from other financial institutions – secured	3,331,677	471,568	3,331,677	471,568
Senior notes(3)	2,028,008	287,046	2,028,008	287,046
Corporate bonds	621,816	88,012	2,378,288	336,625
Notes to be issued	–	–	1,755,550	248,482
Total current borrowings	**12,669,273**	**1,793,219**	**14,424,823**	**2,041,701**
Non-current borrowings:				
Bank loans – secured	8,582,823	1,214,820	8,582,823	1,214,820
Borrowings from other financial institutions – secured	5,314,705	752,248	5,314,705	752,248
Corporate bonds	416,263	58,918	416,263	58,918
Senior notes(4)	1,448,251	204,987	1,448,251	204,987
Total non-current borrowings	**15,762,042**	**2,230,972**	**15,762,042**	**2,230,972**
Total equity	16,151,916	2,286,155	16,151,916	2,286,155
Total capitalization(5)	31,913,958	4,517,128	31,913,958	4,517,128

Notes:

(1) As of June 30, 2020, cash and cash equivalents excluded restricted cash of RMB4,122.6 million (US$583.5 million). Restricted cash consists principally of guarantee deposits for the benefit of mortgage loan facilities granted by banks to the purchasers of properties and bank deposits pledged as collateral for the borrowings.

(2) Our current borrowings include the current portion of long-term borrowings.

(3) Refers to the March 2021 Notes and the October 2021 Notes.

(4) Refers to the June 2022 Notes.

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

(6) Subsequent to June 30, 2020, we have from time to time entered into additional loan agreements to finance our property developments or for general corporate purposes in the ordinary course of business. See "Description of Other Material Indebtedness." These changes in our borrowings and any repayments after June 30, 2020 have not been reflected in this capitalization table.

For the avoidance of doubt, the as adjusted information in the table above does not give effect to the Concurrent Offer to Purchase. We intend to finance the Concurrent Offer to Purchase with proceeds from internal funding and proceeds from this offering. As a result, if the Concurrent Offer to Purchase is consummated, our cash and cash equivalents and borrowings will decrease.

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

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

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

SELECTED CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(US$)*	*(RMB)*	*(RMB)*	*(US$)*
	(in thousands, except percentages)						
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	5,241,086	8,415,653	26,984,943	3,819,471	6,983,191	8,703,375	1,231,883
Cost of sales	(3,473,875)	(5,272,657)	(18,986,406)	(2,687,351)	(4,672,995)	(6,073,523)	(859,651)
Gross profit	1,767,211	3,142,996	7,998,537	1,132,119	2,310,196	2,629,852	372,231
Finance income	27,417	105,680	47,178	6,678	12,892	58,482	8,278
Other income and gains	7,014	5,945	105,627	14,951	11,900	36,696	5,194
Selling and distribution expenses	(458,382)	(657,597)	(1,076,736)	(152,402)	(351,054)	(365,978)	(51,801)
Administrative expenses	(225,341)	(430,192)	(568,787)	(80,507)	(256,804)	(243,110)	(34,410)
Other expenses	(47,447)	(46,219)	(27,239)	(3,855)	(11,642)	(9,498)	(1,344)
Fair value gains on investment properties	86,038	110,159	164,786	23,324	133,780	148,507	21,020
Fair value gains/(losses) on financial assets at fair value through profit or loss	–	18,861	(24,816)	(3,512)	(63,632)	31,051	4,395
Fair value gains/(losses) on financial liabilities at fair value through profit or loss	74	242	121	17	105	40	6
Finance costs	(317,165)	(425,774)	(456,397)	(64,599)	(293,615)	(286,455)	(40,545)
Share of profits and losses of:							
Joint ventures	(18,255)	(9,466)	62,257	8,812	86,305	(17,241)	(2,440)
Associates	21,239	48,854	39,493	5,590	57,088	116,427	16,479
Profit before tax	842,403	1,863,489	6,264,024	886,615	1,635,519	2,098,773	297,062
Income tax expense	(564,198)	(1,308,536)	(4,249,750)	(601,513)	(1,141,255)	(1,227,762)	(173,778)
Profit for the year	278,205	554,953	2,014,274	285,102	494,264	871,011	123,284

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(US$)*	*(RMB)*	*(RMB)*	*(US$)*
	(in thousands, except percentages)						
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Attributable to:							
Owners of the Company	95,021	413,538	1,957,763	277,103	449,061	822,045	116,353
Non-controlling interests	183,184	141,415	56,511	7,999	45,203	48,966	6,931
	278,205	554,953	2,014,274	285,102	494,264	871,011	123,284
Other Financial Data (Unaudited)							
EBITDA(1)	1,847,704	2,866,844	8,296,005	1,174,223	1,870,129	2,173,627	307,657
EBITDA margin(2)	35.3%	34.1%	30.7%	30.7%	26.8%	25.0%	25.0%

Notes:

(1) EBITDA for any period consists of operating profit before fair value gains or losses on the investment properties and fair value gains or losses on financial asset or liabilities at fair value through profit or loss, interest income plus depreciation, amortization expenses and borrowing interest. 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.

SELECTED CONSOLIDATED FINANCIAL POSITION DATA

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB)	*(RMB)*	*(RMB)*	*(US$)*	*(RMB)*	*(US$)*
			(in thousands)			
				(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment	109,053	114,340	91,349	12,930	78,989	11,180
Right-of-use assets[1]	–	–	70,866	10,030	65,148	9,221
Investment properties	893,500	1,153,030	1,751,200	247,866	2,293,200	324,581
Intangible assets	6,272	5,911	25,196	3,566	26,756	3,787
Investments in joint ventures	3,389,618	3,866,086	5,992,646	848,204	7,719,733	1,092,657
Investments in associates	184,451	708,072	7,231,927	1,023,613	7,702,844	1,090,267
Long-term debt investments	617,669	564,062	–	–	–	–
Deferred tax assets	1,065,296	1,652,258	2,162,741	306,116	2,284,787	323,391
Other non-current assets	2,214,272	1,656,548	1,034,122	146,370	961,169	136,045
Total non-current assets	8,480,131	9,720,307	18,360,047	2,598,696	21,132,626	2,991,129
CURRENT ASSETS						
Properties under development	28,340,270	43,560,301	48,908,306	6,922,521	49,105,820	6,950,478
Completed properties held for sale	1,811,813	4,094,399	2,881,983	407,918	2,218,729	314,041
Trade receivables	–	–	20,872	2,954	28,870	4,086
Due from related companies	4,515,427	5,112,386	4,796,093	678,843	5,700,128	806,801
Prepayments and other receivables	1,205,662	4,558,824	4,055,067	573,957	5,958,220	843,331
Financial assets at fair value through profit or loss	–	64,867	281,795	39,885	514,963	72,888
Long-term debt investments within one year	121,930	314,942	–	–	–	–
Tax recoverable	42,298	116,116	320,818	45,409	357,127	50,548
Restricted cash	1,172,860	2,623,147	5,749,309	813,762	4,122,575	583,513
Pledged deposits	233,302	358,899	290,522	41,121	377,629	53,450
Cash and cash equivalents	2,876,901	7,083,520	10,558,738	1,494,492	13,242,754	1,874,390
Total current assets	40,320,463	67,887,401	77,863,503	11,020,864	81,626,815	11,553,526
CURRENT LIABILITIES						
Trade and bills payables	2,465,463	3,142,262	5,457,196	772,416	6,428,535	909,900
Other payables and accruals	1,793,657	3,898,578	3,470,586	491,230	3,137,839	444,132
Dividends payables	–	–	–	–	464,124	65,692
Contract liabilities	20,063,821	40,196,400	34,231,211	4,845,113	34,882,506	4,937,298
Due to related companies	2,294,506	1,400,187	5,957,364	843,210	7,138,786	1,010,430
Interest-bearing bank and other borrowings	9,249,127	9,224,964	10,208,923	1,444,979	10,019,449	1,418,161
Tax payable	760,298	1,686,313	5,467,328	773,850	5,876,373	831,747
Senior notes	–	–	812,145	114,952	2,028,008	287,046
Corporate bonds	–	–	624,072	88,332	621,816	88,012
Lease liabilities within one year[1]	–	–	30,629	4,335	29,017	4,107
Financial liabilities at fair value through profit or loss	861	619	498	70	458	65
Total current liabilities	36,627,733	59,549,323	66,259,952	9,378,487	70,626,911	9,996,590
NET CURRENT ASSETS	3,692,730	8,338,078	11,603,551	1,642,376	10,999,904	1,556,935
TOTAL ASSETS LESS CURRENT LIABILITIES	12,172,861	18,058,385	29,963,598	4,241,072	32,132,530	4,548,064

	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 LIABILITIES						
Interest-bearing bank and other borrowings	7,426,520	12,285,740	14,521,275	2,055,353	13,897,528	1,967,067
Senior notes	–	–	–	–	1,448,251	204,987
Corporate bonds	–	592,070	406,552	57,544	416,263	58,918
Lease liabilities(1)	–	–	29,483	4,173	22,577	3,196
Deferred tax liabilities	151,516	120,307	110,554	15,648	195,995	27,741
Total non-current liabilities	7,578,036	12,998,117	15,067,864	2,132,718	15,980,614	2,261,909
NET ASSETS	4,594,825	5,060,268	14,895,734	2,108,354	16,151,916	2,286,155
EQUITY						
Equity attributable to owners of the parent						
Share capital	–	–	31,958	4,523	31,958	4,523
Reserves	3,924,002	4,243,624	8,135,050	1,151,442	8,438,794	1,194,434
	3,924,002	4,243,624	8,167,008	1,155,965	8,470,752	1,198,957
Non-controlling interests	670,823	816,644	6,728,726	952,389	7,681,164	1,087,198
TOTAL EQUITY	4,594,825	5,060,268	14,895,734	2,108,354	16,151,916	2,286,155

Note:

(1) We adopted IFRS 16 Leases on January 1, 2019, which superseded IAS 17 Leases. We adopted IRFS 16 using a modified retrospective method of adoption starting on January 1, 2019. We have not restated financial information from January 1, 2017 to December 31, 2018 for leases in the scope of IFRS 16 Leases. Our financial information from January 1, 2017 to December 31, 2018 is reported under IAS 17 Leases and is not comparable to the information presented for the year ended December 31, 2019 and the six months ended June 30, 2020. Differences arising from the adoption of IFRS 16 Leases have been recognized in the opening balance of consolidated statements of financial position as of January 1, 2019. The adoption of IFRS 16 did not have any significant impact on our financial position and performance for the period from January 1, 2017 to December 31, 2018, as compared to that of IAS 17.

The following discussion contains certain forward-looking statements that involve risk and uncertainties. Our actual results reported in future periods could differ materially from those discussed in such forward-looking statements. Factors that could cause or contribute to such differences include those discussed in the sections entitled "Risk Factors" and "Business" and elsewhere in this offering memorandum. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Through 10 years of operations, we have successfully established a leading position among residential property developers in Jiangxi Province and, by leveraging our success and experience in Jiangxi Province, expanded our property development business into the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential. In 2019, we were ranked 36th, 32nd and 31st among the property developers in the PRC in terms of total sales amount according CRIC, China Index Academy and EH Consulting, respectively. We were recognized as one of the China's Top 50 Real Estate Developers jointly by the China Real Estate Industry Association, Shanghai Yiju Real Estate Research Institution and China Real Estate Appraisal Center in 2018 and 2019, and one of the China's Top 30 Real Estate Developers in 2020 and Growth Top 10 in 2020 by the China Real Estate Top 10 Research Committee and China Index Academy in 2020.

We strive to distinguish ourselves from our competitors by developing properties that suit the needs and preferences of our target customers featuring quality designs, convenience and comfort. We have developed three major project series for residential properties, namely, the "Wan" Series (灣系), targeting first-time home buyers, the "Yuan" Series (園系), targeting purchasers seeking to purchase a second home or upgrade their home, and the "Yue" Series (悦系), targeting extended families or high-income households. We place a great emphasis on the quality of our products, and set detailed standards on a number of design and construction requirements, such as style, landscape, construction materials and interior designs. As a result, we have received numerous awards in recognition of our product quality. In 2019, we received the "2019 China's TOP30 Investment Value Real Estate Enterprise" on Bo'ao Real Estate Forum China Real Estate Fengshang Prize. Our first residential property project, Nanchang Dibo Wan in Nanchang, received the National Scenic Garden Construction Project Silver Prize from China Garden Network (中國園林網) in 2013.

We develop and sell quality properties. As of June 30, 2020, we had 138 property projects under various stages of development. As of June 30, 2020, our property projects had an aggregate GFA attributable to us of approximately 15.3 million sq.m. In addition to residential property development, we have recently started engaging in the development, operation and management of commercial properties and hold a portion of such commercial properties for investment purpose. As of June 30, 2020, we had 14 commercial properties with an aggregate GFA of approximately 371,157.5 sq.m. In addition, in order to maximize investment returns, improve cash flow and achieve sustainable growth, we strive to standardize our project development cycle. We develop our properties through standardized operating procedures which not only help us to plan, design, construct and deliver properties on schedule, but also enable us to bring consistency in quality across our properties while maintaining relatively low costs.

Our overall market position in the PRC, quality product offerings and strong brand name have all contributed to our past financial success. In 2017, 2018 and 2019, we recorded revenue of RMB5,241.1 million, RMB8,415.7 million and RMB26,984.9 million (US$3,819.5 million), respectively, representing a

CAGR of 126.9%. Our revenue increased by 24.6% from RMB6,983.2 million in the first half of 2019 to RMB8,703.4 million (US$1,231.9 million) in the first half of 2020. In 2017, 2018 and 2019, our net profit was RMB278.2 million, RMB555.0 million and RMB2,014.3 million (US$285.1 million), respectively, representing a CAGR of 164.1%. Our net profit increased by 76.2% from RMB494.3 million in the first half of 2019 to RMB871.0 million (US$123.3 million) in the first half of 2020. Our core net profit ratio is calculated as the percentage of the profit attributable to the owners of the Company less the changes in fair value of investment properties (net of tax) and changes in fair value of financial assets and/or liabilities (net of tax) for the year or period and dividend by the revenue for the same year or period, which was approximately 0.6%, 3.8%, 6.9%, 5.7% and 7.8% for 2017, 2018, 2019 and the first half of 2019 and 2020, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been and will continue to be affected by a number of factors, many of which are beyond our control. See the section entitled "Risk Factors" in this offering memorandum. Some of the key factors include, without limitation, the following:

Economic Growth and the State of Real Estate Market in the PRC

Economic growth, urbanization and rising disposable income in China have been the key drivers behind increasing market demand for residential and commercial properties. Currently, the real estate industry is regarded by the PRC government as one of the country's pillar industries, it is significant dependent on overall economic growth, in particular, the cities and regions where we operate and intend to operate are especially important to our sales and profitability. As such, this factor will continue to have a significant impact on our business and results of operations. In addition, our results of operations are primarily subject to the performance of the PRC's real estate market, in particular, the supply and demand for residential and commercial properties and pricing trends of mid to high-end residential properties in the cities and regions where we operate. Any general economic downturn or downturn in the real estate market, particular in the cities and regions where we operate, could adversely affect our business, results of operations and financial position. See the section entitled "Risk Factors – 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" in this offering memorandum.

Regulatory Environment and Measures Affecting the Real Estate Industry in China

Our business has been, and will continue to be, affected by the regulatory environment in China, including, specifically, policies and measures adopted by the PRC government on the property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the perceived over-heating in the real estate market. While the PRC government may still regard the real estate industry as important, it has taken restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic policies to encourage or restrict development in the property sector through regulating, among others, land grants, pre-sales of properties, bank financing, mortgage and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business. The PRC government may introduce initiatives, which may affect our access to capital and the means through which we finance our property developments.

Since the first half of 2010, in response to the rising property prices across the country, the PRC government announced new policies, adopted new measures to curtail speculation in the property market, and imposed more stringent requirements on the payment of land premiums by property developers. These policies include the abolishment of certain preferential treatment in respect of business tax payable upon transfer of residential properties, increased minimum down-payment for mortgage loans, more stringent requirements on the payment of land premium, further limits on the number of residential properties one household can buy, a trial property tax scheme in Shanghai and Chongqing and a 20% capital gains tax on residential property re-sales. More recently, the property market in the PRC witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales, and many local government have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. PRC regulatory measures in the real estate industry will continue to affect our business. See the section titled "Risk Factors – Risks Relating to Our Industry" and "Regulations" in this offering memorandum for more details on the relevant PRC laws and regulations.

Revenue and Change in Product Mix

We derive our revenue principally from the sale of properties that we developed, including residential, commercial and mixed-use properties. As we recognize revenue from the sale of properties upon their delivery, our revenue primarily depends on the volume of properties we sell, the prices at which we make the sales and the timing of delivery of sold properties to purchasers. The volume of properties we sell and the timing of delivery of sold properties depend on the progress on the construction of our properties and the market response we obtain when we launch our property sales. Revenue from sales of properties fluctuate based on the levels of actual completion of construction and delivery of our properties and therefore may vary significantly from period to period. Our revenue may fluctuate because of the mix of our projects, the timing of completion of our projects and the timing of recognition of revenue from pre-sales of units in our development properties. While we generally are involved in a number of projects at any given time and those projects may be at varying stages of completion, many of our projects are large and thus necessarily require substantial time to complete. Accordingly, even assuming a constant level of market demand for our properties, the number of properties that we have available for sale can vary significantly from period to period.

The average selling prices per sq.m. and the gross profit margin of our property products vary by the type of properties we develop and sell. We offer three main series of residential property developments, namely, "Wan" Series (灣系) , the "Yuan" Series (園系) and the "Yue" Series (悦系). Generally "Yuan" Series and "Yue" Series, which mainly target home upgraders and extended families or high-income households, respectively, command relatively higher ASP as compared to that of "Wan" Series, which mainly target first-time home purchasers. Our product mix varies from period to period based on a number of factors, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time but may nonetheless be unable to maintain or increase the average selling prices or gross profit margin, which would materially and adversely affect our profitability.

Pre-sale

Our ability to sell properties prior to completion, known as the pre-sale of properties, constitutes the most important source of our operating cash inflow during project development. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sale imposed by the PRC government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. See "Risk Factors – Risks Relating to Our Business – We are exposed to contractual and legal risks related to pre-sales" in this offering memorandum for more details. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. As a result of the time differences between cost incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Construction Costs and Labor Costs

A key component of our cost of sales is construction costs. Construction costs are affected by the price of certain key construction materials, such as steel and cement. Most building construction materials, including steel and cement, are procured by our contractors. We typically designate the brands and quality requirements of these construction materials in our construction agreements. In most of our construction agreements, the contract price will be adjusted if the market price of such materials fluctuates beyond a certain threshold, and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. We can pass the increases in construction material costs to our customers only to the extent that we are able to increase the prices of our properties and therefore bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs.

In addition, our results of operations are affected by labor costs, directly on our staff cost and indirectly on our contractors' staff cost. In general, labor costs in the PRC have been increasing in recent years. Increases in labor costs will continue to have an impact on our results of operations.

Availability and Cost of Financing

Financing is an important source of funding for property development. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we financed our operations primarily through internally generated cash flow from the pre-sale of our properties, as well as external financings, such as borrowings from banks, trust and other financing arrangements and the issuance of private corporate bonds. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those that restrict the ability of 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, as of June 30, 2020, we had outstanding financing arrangements with trust financing providers, asset management companies and other financial institutions amounted to RMB11,344.9 million (US$1,605.8 million) which usually have a greater flexibility in terms of fund availability and repayment. 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 charged by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers, 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 bank and other borrowings (excluding corporate bonds and senior notes) amounted to RMB16,675.6 million, RMB21,510.7 million, RMB24,730.2 million (US$3,552.3 million) and RMB23,917.0 million (US$3,385.2 million), respectively, and the weighted average effective interest rates on our outstanding bank and other borrowings (excluding corporate bonds and senior notes) as of the same dates was 9.1%, 9.3%, 9.2% and 9.2%, respectively. We also issued two private corporate bonds in the aggregate amount of RMB589.0 million in the PRC in October and December 2018, respectively, and one private corporate bonds in the aggregate amount of RMB417.0 million (US$59.9 million) in the PRC in April 2019. We may 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 to support our business expansion. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent 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 and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, which is calculated by deducting from the gross sales proceeds the cost associated with the property development and certain other deductibles. See "Regulation – Regulation on Taxation – Land Appreciation Tax." For each of this period, we assessed the difference between the amount we prepaid and our estimated LAT liability. In 2017, 2018, 2019 and the first half of 2020, we recorded LAT expenses in the amount of RMB366.1 million, RMB757.2 million, RMB2,325.0 million (US$334.0 million) and RMB490.8 million (US$69.5 million), respectively. The provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

CERTAIN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGMENTS

Significant Accounting Policies

Revenue recognition

Our revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of our Group's activities. Our revenue is recognized, net of discounts and after eliminating sales with the Group companies.

Sale of properties

Our revenue is recognized 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 our Group's performance does not create an asset with an alternative use to our 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 recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on our 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, our 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 recognized when the customer obtains the physical possession or the legal title of the completed property and our Group has the present right to payment and the collection of the consideration is probable.

Consulting services

Consulting services income derived from the provision of management 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.

Rental income

Rental income derived from the leasing our investment properties on a time proportion basis over the lease term.

Properties under development

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

Completed properties held for sale

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

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 year of 2017, 2018 and 2019.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by our Group as an owner-occupied property becomes an investment property, our 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 recognized in profit or loss.

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 capitalized as part of the cost of those assets. The capitalization 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 capitalized. 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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which our 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 recognized 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 recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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 recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at the end of each year of 2017, 2018 and 2019 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each year of 2017, 2018 and 2019 and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year of 2017, 2018 and 2019.

Deferred tax assets and deferred tax liabilities are offset if and only if our 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 realized 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.

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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized 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 recognized in the statement of profit or loss and other comprehensive income when the liabilities are de-recognized as well as through the effective interest rate amortization 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 amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

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.

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

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("**ECL**") model, which constitutes a change from the incurred loss model in 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 loss and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Impact of IFRS 15

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

Presentation of liabilities

Advanced proceeds received from customers 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.

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

The adoption of IFRS 15 would have significant impact on our financial performance for the year ended December 31, 2017 and the adoption of IFRS 15 would have 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.

Adoption of IFRS 16

We adopted IFRS 16 *Leases* on January 1, 2019, which superseded IAS 17 *Leases*. We adopted IRFS 16 using a modified retrospective method of adoption starting on January 1, 2019. We have not restated financial information from January 1, 2017 to December 31, 2018 for leases in the scope of IFRS 16 *Leases*. Our financial information from January 1, 2017 to December 31, 2018 is reported under IAS 17 *Leases* and is not comparable to the information presented for the year ended December 31, 2019. Differences arising from the adoption of IFRS 16 *Leases* have been recognized in the opening balance of consolidated statements of financial position as of January 1, 2019. The adoption of IFRS 16 did not have any significant impact on our financial position and performance for the period from January 1, 2017 to December 31, 2018, as compared to that of IAS 17. See the tables below for more details on the estimated impact on our key ratios and financial position and performance as of December 31, 2019 and for the year ended December 31, 2019. See Note 2.3 to the Accountants' Report included elsewhere in this offering memorandum for more details.

Upon the adoption of IFRS 16, we recognized right-of-use asses and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating a lease, if the lease term reflects our exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

We apply the short-term lease recognition exemption to its short-term leases of machinery and equipment, i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statement of profit or loss for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Revenue	5,241,086	8,415,653	26,984,943	3,819,471	6,983,191	8,703,375	1,231,883
Cost of sales	(3,473,875)	(5,272,657)	(18,986,406)	(2,687,351)	(4,672,995)	(6,073,523)	(859,651)
Gross profit	1,767,211	3,142,996	7,998,537	1,132,119	2,310,196	2,629,852	372,231
Finance income	27,417	105,680	47,178	6,678	12,892	58,482	8,278
Other income and gains	7,014	5,945	105,627	14,951	11,900	36,696	5,194
Selling and distribution expenses	(458,382)	(657,597)	(1,076,736)	(152,402)	(351,054)	(365,978)	(51,801)
Administrative expenses	(225,341)	(430,192)	(568,787)	(80,507)	(256,804)	(243,110)	(34,410)
Other expenses	(47,447)	(46,219)	(27,239)	(3,855)	(11,642)	(9,498)	(1,344)
Fair value gains on investment properties	86,038	110,159	164,786	23,324	133,780	148,507	21,020
Fair value gains/(losses) on financial assets at fair value through profit or loss	–	18,861	(24,816)	(3,512)	(63,632)	31,051	4,395
Fair value gains/(losses) on financial liabilities at fair value through profit or loss	74	242	121	17	105	40	6
Finance costs	(317,165)	(425,774)	(456,397)	(64,599)	(293,615)	(286,455)	(40,545)
Share of profits and losses of:							
Joint ventures	(18,255)	(9,466)	62,257	8,812	86,305	(17,241)	(2,440)
Associates	21,239	48,854	39,493	5,590	57,088	116,427	16,479
Profit before tax	842,403	1,863,489	6,264,024	886,615	1,635,519	2,098,773	297,062
Income tax expense	(564,198)	(1,308,536)	(4,249,750)	(601,513)	(1,141,255)	(1,227,762)	(173,778)
Profit for the year	278,205	554,953	2,014,274	285,102	494,264	871,011	123,284
Attributable to:							
Owners of the Company	95,021	413,538	1,957,763	277,103	449,061	822,045	116,353
Non-controlling interests	183,184	141,415	56,511	7,999	45,203	48,966	6,931
	278,205	554,953	2,014,274	285,102	494,264	871,011	123,284

DESCRIPTION OF CERTAIN LINE ITEMS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Our revenue during the years ended December 31, 2017, 2018 and 2019 consists of revenue derived substantially from sales of properties with a small portion from other businesses, which primarily includes income from the provision of consulting services to the Independent Third Parties, and, to a lesser extent, rental income from investment properties. The following table sets forth each of the components described above and the percentage of our revenue represented for the periods indicated.

	Year ended December 31,							Six months ended June 30,				
	2017		2018		2019			2019		2020		
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	*(US$'000)* (Unaudited)	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)	%
Revenue from contracts with customers:												
Sales of properties	5,230,494	99.8	8,389,269	99.6	26,806,590	3,794,227	99.3	6,920,657	99.1	8,410,397	1,190,414	96.6
Consulting services.	9,384	0.2	23,628	0.3	169,281	23,960	0.6	56,558	0.8	288,476	40,831	3.3
	5,239,878	100.0	8,412,897	99.9	26,975,871	3,818,187	99.9	6,977,215	99.9	8,698,873	1,231,246	100.0
Revenue from others sources:												
Rental income	1,208	0.0	2,756	0.1	9,072	1,284	0.1	5,976	0.1	4,502	637	0.1
Total	**5,241,086**	**100.0**	**8,415,653**	**100.0**	**26,984,943**	**3,819,471**	**100.0**	**6,983,191**	**100.0**	**8,703,375**	**1,231,883**	**100.0**

Revenue from sale of properties

Revenue from sale 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 dependent upon the GFA and the ASP of the properties we delivered during such period and the market demand for those properties. Conditions in the property markets in which we operate change from period to period and are affected significantly by general economic, political and regulatory developments in the PRC as well as in the regions and/or cities in which we operate. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, our GFA delivered fluctuated from period to period depending on the size of the projects and the stage of their development. The ASP of properties sold also fluctuated from period to period depending on the selling prices for properties of different series or different types as well as in cities and regions where we developed and sold property projects. Our develop our residential properties in three main series, namely, the “Wan” Series (灣系), the “Yuan” Series (園系) and the “Yue” Series (悅系), of our property projects delivered during the relevant periods. Generally “Yue” Series and “Yuan” Series, which mainly target home upgraders and extended families or high-income households, respectively, command relatively higher ASP as compared to that of “Wan” Series, which mainly target first-time home purchasers. For commercial properties we have developed, the ASP per sq.m. for shopping centers are generally higher than that of commercial areas within the residential properties we have developed. For further details of the effect these factors may have on our results of operations, see the subsection entitled “– Key Factors affecting our Results of Operations” above.

In addition to sales of properties, we also derived a small portion of revenue from other businesses, which primarily included income from the provision of consulting services to the Independent Third Parties, and, to a lesser extent, rental income from investment properties. Our revenue from the provision of consulting services increased from 2017 to 2019 and from the first half of 2019 to the first half of 2020 mainly because we were engaged in providing consulting services for new projects in 2018 and 2019. Our revenue from rental income increased from 2017 to 2019 primarily due to the increase in investment properties leasing out. Our revenue from rental income decreased from the first half of 2019 to the first half of 2020 primarily due to the decrease in investments properties leasing out.

Cost of sales

Our cost of sales primarily represents the costs we incur directly relating to the property development activities. Other cost of sales represents the costs we incur relating to the provision of consulting services to the Independent Third Parties. Other cost of sales mainly include salaries and travel and administrative expenses of the management personnel who oversee the construction works for them.

Gross profit and gross profit margin

Our gross profit increased by approximately 77.9% from RMB1,767.2 million in 2017 to RMB3,143.0 million in 2018, and then further increased significantly from RMB3,143.0 million in 2018 to RMB7,998.5 million in 2019, primarily attributable to the increases in our revenue for sales of properties, which was in line with our business growth and the cost control measures taken. Our gross profit increased by approximately 13.8% from RMB2,310.2 million in the first half of 2019 to RMB2,629.9 million in the same period in 2020, primarily due to our continued business expansion. Our gross profit margins increased from 33.7% in 2017 to 37.3% in 2018, primarily due to the delivery of certain properties with relatively low land cost and our cost control measures, as well as the good market conditions for property sales in Nanchang in 2018. Our gross profit margin decreased from 37.3% in 2018 to 29.6% in 2019 and from 33.1% in the first half of 2019 to 30.2% in the same period in 2020, primarily due to lower gross profit margins of certain properties delivered in 2019 and the first half of 2020.

Finance income

Our finance income mainly include interests income on bank deposits and interests from long-term debt investments. In 2017, we invested in a property project with an Independent Third Party by way of debt investment in an amount of RMB740.3 million at an interest rate of 12.0%. Under the agreement, such debt investment is supposed to be repaid to us within four years. In 2018, we provided a loan in an amount of RMB250.0 million (US$37.1 million) to an Independent Third Party, which received consulting services from us, at an interest rate 15.0%. We waived interests in these two long-term debt investments since January 1, 2019 and have disposed of these two long-term debt investments in 2019. As such, our finance income decreased by approximately 55.4% to RMB47.2 million for the year ended December 31, 2019 from RMB105.7 million for the year ended December 31, 2018. Our finance income increased by approximately 353.6% to RMB58.5 million (US$8.3 million) for the first half of 2020 from RMB12.9 million for the first half of 2019, which was primarily attributable to the increase in time deposits during the Period.

Selling and distribution expenses

Our selling and distribution expenses mainly consist of (i) advertising costs in relation to our marketing campaigns, (ii) sales and marketing staff costs, (iii) property management fees paid to agencies that manage our model homes for open houses or sales activities and (iv) sales commissions to real estate agents.

Administrative expenses

Our administrative expenses mainly include administration staff costs, office expenses and tax expenses such as stamp duties and other land taxes.

Fair value gain on investment properties

We develop and hold certain commercial areas in our properties on a long-term basis for rental, operating 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. Fair value gain on investment properties represents the changes in the fair value of our investment properties which are accounted for as gains or losses under our consolidated statements of profit and loss. The valuation or property involves the exercise of professional judgement and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if a different set of bases or assumption 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. Our investment properties are appraised annually by our independent property valuer. We recorded the investment properties of RMB893.5 million, RMB1,153.0 million, RMB1,751.2 million (US$251.5 million) and RMB2,293.2 million (US$324.6 million), respectively, as of December 31, 2017, 2018 and 2019 and June 30, 2020. We recorded fair value gains on our investment properties of RMB86.0 million, RMB110.2 million, RMB164.8 million (US$23.7 million), RMB133.8 million and RMB148.5 million (US$21.0 million), respectively, in 2017, 2018 and 2019 and the first half of 2019 and 2020.

Other income and gains

Our other income and gains mainly consists of (i) gain on bargain purchases in an aggregate amount of RMB6.2 million recognized from our acquisitions of two subsidiaries, namely, Huizhou Shengyuan Investment Co., Ltd. and Wuxi Fuan Jindi Property Co., Ltd., in 2017, RMB2.7 million (US$0.4 million) recognized from our acquisition of Zhongshan Dutou Real Estate Development Co., Ltd. and Hefei Xincheng Yirong Real Estate Co., Ltd in 2019, (ii) income relating to an one-off subsidy in an amount of RMB2.2 million received in 2018 from the local government in Nanchang to a PRC subsidiary, (iii) net gains on disposal of certain subsidiaries of RMB76.3 million (US$11.0 million) in 2019 and RMB9.9 million in 2020, (iv) exchange gains in the amount of RMB16.7 million from the disposal of certain subsidiaries, and (v) forfeiture of deposits of RMB21.2 million (US$3.0 million) in 2019.

Other expenses

Our other expenses mainly consists of penalties, surcharges and donations. In 2017, 2018 and 2019 and the first half of 2020, we incurred penalty expenses in an aggregate amount of RMB42.5 million, RMB32.8 million, RMB27.2 million (US$3.9 million) and RMB9.5 million (US$1.3 million), respectively. In addition, we also incurred penalty expenses in relation to certain non-material non-compliance incidents, late payment charges and provisions made in relation to legal disputes.

Net gain or loss from financial assets at fair value through profit or loss (FVTPL)

We recorded a one-off net gain from financial assets at fair value through profit or loss (FVTPL) in an amount of RMB18.9 million as of December 31, 2018 and a net gain from financial assets at FVTPL in an amount of RMB24.8 million (US$3.6 million) as of 2019, both in connection with the fluctuation of the fair value of our investments in equity interests of listed companies. We incurred one-off net loss from financial assets at fair value through profit or loss (FVTPL) in an amount of RMB63.6 million in the first half of 2019 and a net gain from financial assets at FVTPL in an amount of RMB31.1million (US$4.4 million), as a result of the fluctuation in the fair value of our investment in equity interests of listed companies.

Finance costs

Our finance costs mainly represents our interest expenses on bank and other borrowing as well as interest from a significant financing component of contract liabilities, which is related to the pre-sale proceeds of our properties we received from our customers, less capitalized interest relating to properties under development.

Interests on bank and other borrowings increased during the years ended December 31, 2017, 2018 and 2019, 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. Our finance costs decreased from the first half of 2020 to the first half of 2019, which was primarily attributable to the combined effect of the changes in interest on loans and borrowings, interest expenses from contract revenue and capitalized interest.

We enter into pre-sales and/or sales contracts with our customers, subject to which we are entitled to the rights 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 affect not only the amount and growth rate of our revenue from sales of properties but also may cause contract liabilities, and also, interest from a significant financial component of contract liabilities, to fluctuate from period to period.

Income tax expenses

Our income tax expense mainly comprises of EIT and LAT expenses made by our PRC subsidiaries, net of deferred tax. No provision for the Cayman Islands taxation and Hong Kong taxation has been made as the majority of our income neither arises in, nor is derived from those jurisdictions. The provision for EIT for our PRC subsidiaries during the Track Record Period was mainly based on the prevailing rate of 25%. The distribution of dividends generated by the PRC entity to non-resident investors should be subject to PRC withholding income tax.

Our effective tax rate, being the income tax divided by profit before taxation, was 67.0%, 70.2%, 69.8% and 58.5%, respectively, in 2017, 2018 and 2019 and the first half of 2020.

Exchange differences on translation of foreign operations

Our exchange differences on translation of foreign operations mainly resulted from translating the financial results of our wholly-owned subsidiary, Hong Kong Oeming Enterprise Management Co., Ltd., in Hong Kong dollars into Renminbi, which is our reporting currency.

RESULTS OF OPERATIONS

Six months ended June 30, 2020 compared to six months ended June 30, 2019

Revenue

	Six months ended June 30				
	2019		2020		
	Revenue		Revenue		
	(RMB'000) (Unaudited)	*(%)*	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)	*(%)*
Sale of properties	6,920,657	99.1	8,410,397	1,190,414	96.6
Others	62,534	0.9	292,978	41,468	3.4
Total	6,983,191	100.0	8,703,375	1,231,882	100.0

Note:

(1) Others primarily include income from the provision of consulting services to Independent Third Parties, and, to a lesser extent, rental income from investment properties.

Our revenue increased by 24.6% to RMB8,703.4 million (US$1,231.9 million) for the first half of 2020 from RMB6,983.2 million for the first half of 2019, primarily driven by the increase in our revenue generated from sale of properties.

Revenue generated from sales of properties increased by approximately 21.5% to RMB8,410.4 million (US$1,190.4 million) for the first half of 2020 from RMB6,920.7 million for the first half of 2019, which was primarily due to the increase in GFA delivered and ASP of the properties delivered by us during the Period. During the first half of 2020, the total GFA delivered amounted to 725,761 sq.m., representing a year-on-year increase of approximately 11.0%. During the same period, the ASP of the properties delivered amounted to RMB11,588.4 per sq.m., representing an increase of approximately 9.5% as compared to the same period of last year. During the Period, the revenue recognized are derived from Jiangxi Province, Greater Bay Region, and core cities in Central and Western China and other regions with high growth potential, and Yangtze River Delta Region which accounted for approximately 80.5%, 15.0%, 3.8% and 0.7%, respectively.

Revenue from other businesses increased by 368.5% to RMB293.0 million (US$41.5 million) for the first half of 2020 from RMB62.5 million for the first half of 2019, primarily attributable to a number of new project management and other consulting service projects obtained by us during the Period.

Cost of sales

Our cost of sales increased by approximately 30.0% to RMB6,073.5 million(US$859.6 million) for the first half of 2020 from RMB4,673 million for the first half of 2019, primarily due to the increase in the scale of our operations and the increase in the GFA of properties delivered. Our cost for sale of properties increased by 30.0% to RMB6,073.5 million (US$859.6 million) from RMB4,673.0 million, primarily due to an increase in the scale of our operations.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 13.8% from RMB2,310.2 million for the first half of 2019 to RMB2,629.9 million (US$372.2 million) for the first half of 2020. For the first half of 2020, gross profit margin was 30.2%, which decreased from 33.1% for the first half of 2019. The decrease was primarily attributable to change in gross profit margin of the product portfolio of properties delivered during the first half of 2020.

Finance income

Our finance income increased by approximately 353.6% to RMB58.5 million (US$8.3 million) for the first half of 2020 from RMB12.9 million for the first half of 2019, which was primarily attributable to the increase in time deposits during the first half of 2020.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 4.3% to RMB366.0 million (US$51.8 million) for the first half of 2020 from RMB351.1 million for the first half of 2019, which was primarily attributable to the increase in advertising expenses and sales commissions.

Administrative expenses

Our administrative expenses decreased by approximately 5.3% to RMB243.1 million (US$34.4 million) for the first half of 2020 from RMB256.8 million for the first half of 2019, which was primarily attributable to the streamlining and efficiency improvement of the human resources management.

Finance costs

Our finance costs decreased by approximately 2.4% to RMB286.5 million (US$40.6 million) for the first half of 2020 from RMB293.6 million for the first half of 2019, which was primarily attributable to the combined effect of the changes in interest on loans and borrowings, interest expenses from contract revenue and capitalized interest.

Fair value gains on investment properties

The fair value gains of our investment properties increased by approximately 11.0% to RMB148.5 million (US$21.0 million) for the first half of 2020 from RMB133.8 million for the first half of 2019.

Share of profits of associates

Our share of profits of associates increased by approximately 103.9% to RMB116.4 million (US$16.5 million) for the first half of 2020 from RMB57.1 million for the first half of 2019, primarily due to the increase in profits generated from the delivery of property projects held by our associates during the first half of 2020.

Share of profits and losses of joint ventures

Our share of profits of joint ventures were RMB86.3 million (US$12.2 million) and our share of losses were RMB17.2 million (US$2.4 million) for the first half of 2020, respectively, primarily due to the decrease in the delivery of property projects held by our joint ventures during the Period.

Profit before tax

As a result of the foregoing, our profit before income tax increased by 28.3% to RMB2,098.8 million (US$297.1 million) for the first half of 2020 from RMB1,635.5 million for the first half of 2019.

Income tax expense

Our income tax expense increased by approximately 7.6% to RMB1,227.8 million (US$173.8 million) for the first half of 2020 from RMB1,141.3 million for the first half of 2019.

Profit for the period

As a result of the foregoing, our profit for the year increased by 76.2% to RMB871.0 million (US$123.3 million) for the first half of 2020 from RMB494.3 million for the first half of 2019. Our net profit margin increased to 10.0% for the first half of 2020 from 7.1% for the first half of 2019.

Profit attributable to non-controlling interests

For the first half of 2020, we recorded a net profit attributable to non-controlling interests of RMB49.0 million (US$6.9 million), representing an increase of 8.4% from our net profit attributable to non-controlling interests of RMB45.2 million for the first half of 2019.

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue

	For the year ended December 31,									
	2018				2019					
	Revenue		GFA delivered	ASP	Revenue			GFA delivered	ASP
	(RMB'000)	*(%)*	*(sq.m.)*	*(RMB per sq.m.)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(%)*	*(sq.m.)*	*(RMB per sq.m.)*
Sale of properties	8,389,269	99.7	1,119,603	7,493	26,806,590	3,794,227	99.3	2,699,724	9,929
Others[(1)]	26,384	0.3	–	–	178,353	25,244	0.7	–	–
Total	**8,415,653**	**100.0**			**26,984,943**	**3,819,471**	**100.0**		

Note:

(1) Others primarily include income from the provision of consulting services to Independent Third Parties, and, to a lesser extent, rental income from investment properties.

Our revenue increased by 220.7% to RMB26,984.9 million (US$3,819.5 million) in 2019 from RMB8,415.7 million in 2018, primarily driven by the increase in our revenue generated from sale of properties and, to a lesser extent, the revenue from consulting services.

Revenue generated from sales of properties increased by approximately 219.5% to RMB26,806.6 million for the year ended December 31, 2019 from RMB8,389.3 million for the year ended December 31, 2018, which was primarily due to the increase in GFA delivered and ASP of the properties delivered by the Group during the Year. For the year ended December 31, 2019, the total GFA delivered amounted to 2,699,724 sq.m., representing a year-on-year increase of approximately 141.1%; while the ASP of the properties delivered amounted to RMB9,929 per sq.m. (after tax), representing an increase of approximately 32.5% as compared to last year. During the Year, the revenue recognized are derived from Jiangxi Province, Greater Bay Region, Yangtze River Delta Region and Central and Western China Core Cities and Other Regions with High-Growth Potential, which accounted for approximately 63.7%, 27.0%, 7.7% and 1.6%, respectively.

Revenue from other businesses increased by 576.0% to RMB178.4 million (US$25.3 million) in 2019 from RMB26.4 million in 2018, primarily attributable to the increase of our revenue from consulting services to third-party customers involving property development consulting.

Cost of sales

Our cost of sales increased by 260.1% to RMB18,986.4 million (US$2,687.4 million) in 2019 from RMB5,272.7 million in 2018, primarily due to the increase in our cost for sale of properties. Our cost for sale of properties increased by 359.7% to RMB18,943.1 million (US$2,681.2 million) from RMB5,266.8 million, primarily due to an increase in the scale of our operations as evidenced by the increase in GFA delivered.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 154.5% from RMB3,143.0 million in 2018 to RMB7,998.5 million (US$1,132.1 million) in 2019. For the Year, gross profit margin amounted to approximately 29.6%, representing a decrease of 7.7 percentage points as compared to 37.3% for the year ended 31 December 2018. The decrease was primarily attributable to change in gross profit margin of properties delivered during the Year.

Finance income

Our finance income substantially decreased from RMB105.7 million in 2018 to RMB47.2 million (US$6.7 million) in 2019, primarily because we waived interests on two long-term debt investments since January 1, 2019. We have disposed of these two long-term debt investments in 2019.

Selling and distribution expenses

Our selling and distribution expenses increased by 63.7% from RMB657.6 million in 2018 to RMB1,076.7 million (US$152.4 million) in 2019, primarily attributable to the increase in advertising cost and sales commission to external real estate agents as a result of business expansion.

Administrative expenses

Our administrative expenses increased from RMB430.2 million in 2018 to RMB568.8 million (US$80.5 million) in 2019, primarily due to the increase in staff cost as a result of the increase in number of employees.

Other expenses

Our other expenses decreased by 41.1% to RMB27.2 million (US$3.8 million) in 2019 from RMB46.2 million in 2018, primarily due to the decrease in penalties and late payment charges in relation to certain non-compliance incidents in 2019 as we enhanced our internal control.

Finance costs

Our finance costs increased by 7.2% to RMB456.4 million (US$64.6 million) in 2019 from RMB425.8 million in 2018, primarily due to the combined effect of the increase in interest on loans and borrowings, interest expense arising from revenue contract and interest capitalization.

Fair value gains on investment properties

The fair value gains of our investment properties increased by 49.5% to RMB164.8 million (US$23.3 million) in 2019 from RMB110.2 million in 2018, primarily attributable to the increase in the fair value of Nanchang Sinic Center (南昌新力中心) and Nanchang Times Square (南昌時代廣場) amounted to RMB60.1 million and RMB93.3 million, respectively.

Net loss from financial assets at FVTPL

We incurred one-off net loss from financial assets at fair value through profit or loss (FVTPL) in an amount of RMB24.8 million (US$3.5 million), as a result of the fluctuation in the fair value of our investment in equity interests of listed companies.

Share of profits and losses of associates

Our share of losses of associates decreased to RMB39.5 million (US$5.6 million) in 2019 from RMB48.9 million in 2018, primarily due to the decrease in profits generated from the delivery of properties held by our associates during the year ended December 31, 2019.

Share of profits and losses of joint ventures

Our share of profits of joint ventures were RMB62.3 million (US$8.8 million) in 2019 and our share of losses were RMB9.5 million in 2018, primarily due to the delivery of property projects held by the Group's joint ventures which generated profit during the year ended December 31, 2019.

Profit before tax

As a result of the foregoing, our profit before income tax increased by 236.1% to RMB6,264.0 million (US$886.6 million) in 2019 from RMB1,863.5 million in 2018.

Income tax expense

Our income tax expense increased substantially to RMB4,249.8 million (US$601.5 million) in 2019 from RMB1,308.5 million in 2018, primarily due to an increase in corporate income tax and LAT as a result of significant increase in taxable profit and property sales.

Profit for the period

As a result of the foregoing, our profit for the year increased by 263.0% to RMB2,014.3 million (US$285.1 million) in 2019 from RMB555.0 million in 2018. Our net profit margin increased to 7.5% in 2019 from 6.6% in 2018.

Profit attributable to non-controlling interests

In 2018, we recorded a net profit loss attributable to non-controlling interests of RMB141.4 million. In 2019, we recorded a net profit attributable to non-controlling interests of RMB56.5 million (US$8.0 million).

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenue

	For the year ended December 31,							
	2017				2018			
	Revenue		GFA delivered	ASP	Revenue		GFA delivered	ASP
	(RMB'000)	*(%)*	*(sq.m.)*	*(RMB per sq.m.)*	*(RMB'000)*	*(%)*	*(sq.m.)*	*(RMB per sq.m.)*
Sale of properties								
Residential properties	4,381,439	83.6	607,765	7,209	6,857,164	81.5	967,176	7,090
Commercial properties	788,411	15.1	63,846	12,349	1,375,968	16.4	121,639	11,312
Car parks	60,644	1.1	13,139	4,616	156,137	1.8	30,788	5,071
Subtotal	5,230,494	99.8	684,750	7,639	8,389,269	99.7	1,119,603	7,493
Others(1)	10,592	0.2	–	–	26,384	0.3	–	–
Total	5,241,086	100.0			8,415,653	100.0		

Note:

(1) Others primarily include income from the provision of consulting services to Independent Third Parties, and, to a lesser extent, rental income from investment properties.

Our revenue increased by 60.6% to RMB8,415.7 million in 2018 from RMB5,241.1 million in 2017, primarily driven by the increase in the revenue from sale of properties and, to a lesser extent, the revenue from consulting services.

Revenue from sale of properties increased by 60.4% to RMB8,389.3 million in 2018 from RMB5,230.5 million in 2017, primarily due to the increase in the total GFA delivered, partially offset by the slight decrease in ASP per sq.m. The total GFA of properties delivered increased by 63.5%, to 1,119,603 sq.m. in 2018 from 684,750 sq.m. in 2017. This increase was primarily attributable to the completion and delivery of Nanchang Yinhu Wan, Nanchang Jinsha Wan and Nanchang Long Wan and our further expansion into the existing markets where we operate and the new markets, including Wuxi and Changsha in 2018. The ASP per sq.m. of properties delivered slightly decreased in 2018 from 2017 was primarily due to the majority of the residential property projects we delivered in 2018 were "Wan" Series projects, which commanded lower ASP per sq.m. than the residential property projects, including Nanchang Ya Yuan Zhou Yue, a "Yue" Series project, we delivered in 2017.

Revenue from other businesses increased by 149.1% to RMB26.4 million in 2018 from RMB10.6 million in 2017, primarily contributable to the delivery of consulting services in 2018 to a third party, for its property development project.

Cost of sales

Our cost of sales increased by 51.8% to RMB5,272.7 million in 2018 from RMB3,473.9 million in 2017, primarily due to the increase in our cost for sale of properties. Our cost for sale of properties increased by 51.7% to RMB5,266.8 million from RMB3,471.2 million, primarily due to an increase in the scale of our operations as evidenced by the increase in GFA delivered.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 77.9% to RMB3,143.0 million in 2018 from RMB1,767.2 million in 2017. Our gross profit margin increased to 37.3% in 2018 from 33.7% in 2017, primarily attributable to (i) the delivery of Nanchang Yinhu Wan, Nanchang Jinsha Wan and Nanchang Long Wan in 2018, the projects with relatively low land costs, coupled with (ii) the general market condition in Nanchang property market in 2018.

Finance income

Our finance income increased substantially to RMB105.7 million in 2018 from RMB27.4 million in 2017, primarily due to an increase in the interest of RMB59.2 million recorded from long-term debt investments in, including (i) the debt investment we made in relation to a potential project in 2017 and (ii) the debt investment we made to a third party which engaged us to provide consulting services for its property project in 2018, both of which have been released as of the date of this offering memorandum.

Selling and distribution expenses

Our selling and distribution expenses increased by 43.5% to RMB657.6 million in 2018 from RMB458.4 million in 2017, primarily attributable to (i) the increase in our property management fees as a result of the increased number of properties available for sales in 2018, (ii) an increase in sales and marketing staff costs, resulting from an increase in the number of our sales and marketing staff which was in line with our business expansion, and (iii) the increase in advertising and marketing campaign costs, primarily due to an increase in the number of properties for which we commenced pre-sales and the fact that we commenced pre-sales in new geographic markets, all of which resulted in more sales, marketing and advertising activities.

Administrative expenses

Our administrative expenses increased substantially to RMB430.2 million in 2018 from RMB225.3 million in 2017, primarily due to the increase in (i) our administrative staff costs primarily due to increased administrative personnel, and (ii) office expenses, both as a result of our business expansion.

Other expenses

Our other expenses decreased slightly by 2.6% to RMB46.2 million in 2018 from RMB47.4 million in 2017, primarily due to the decrease in penalties and late payment charges in relation to certain non-compliance incidents in 2018, partially offset by an increase in donations made by us.

Finance costs

Our finance costs increased by 34.2% to RMB425.8 million in 2018 from RMB317.2 million in 2017, primarily due to an increase in interest from pre-sale amounts received from customers, partially offset by an increase in capitalized interest in relation to bank and other borrowings for properties for development.

Fair value gains on investment properties

The fair value gains of our investment properties increased by 28.0% to RMB110.2 million in 2018 from RMB86.0 million in 2017, primarily as a result of an addition of an investment property in 2018, namely, Nanchang Times Square Phase II.

Net gain from financial assets at FVTPL

We incurred a one-off net gain from financial assets at fair value through profit or loss (FVTPL) in an amount of RMB18.9 million in connection with the fair value of our investment in equity interests of a listed company in an amount of RMB64.9 million as of December 31, 2018. For details, see "– Description of Certain Consolidated Statement of Financial Position Items – Financial Assets at FVTPL" below.

Share of profits and losses of associates

Our share of profits of associates increased substantially to RMB48.9 million in 2018 from RMB21.2 million in 2017, primarily due to the increase in profits from Nanchang Lizhou in relation to Nanchang Xianghu Wan and Nanchang Weiting Real Estate Company Limited in relation to Nanchang Waitan No. 9.

Share of profits and losses of joint ventures

Our share of losses of joint ventures decreased by 48.1% to RMB9.5 million in 2018 from RMB18.3 million in 2017, primarily due to the increase in profit from Jiangxi Baixing Real Estate Investment Limited in relation to Nanchang Yi Yuan as we began to deliver the project in 2018.

Profit before tax

As a result of the foregoing, our profit before income tax increased substantially to RMB1,863.5 million in 2018 from RMB842.4 million in 2017.

Income tax expense

Our income tax expense increased substantially to RMB1,308.5 million in 2018 from RMB564.2 million in 2017, primarily due to an increase in profit that was subject to tax and an increase in LAT as a result of the increase in sales of properties in 2018.

Profit for the year

As a result of the foregoing, our profit for the year increased substantially to RMB555.0 million in 2018 from RMB278.2 million in 2017. Our net profit margin increased from 5.3% in 2017 to 6.6% in 2018.

Profit attributable to non-controlling interests

For 2017, we recorded a net profit attributable to non-controlling interest of RMB183.2 million, out of which, Nanchang Shuntai, Nanchang Tianju Industrial, Jiangxi Hengwang, each a material subsidiary with non-controlling interests of 30%, 55% and 49%, respectively, was allocated profits of RMB93.6 million, RMB40.8 million and RMB38.3 million, respectively. For 2018, we recorded a net profit attributable to non-controlling interest of RMB141.4 million, out of which, Jiangxi Hengwang, one of our material subsidiaries with non-controlling interests of 49%, was allocated profits of RMB94.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash have been for the development of our property projects. Our main source of liquidity has been generated from mainly from cash flow from operations and bank and other borrowings. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had cash and bank balances of RMB4,283.1 million, RMB10,065.6 million, RMB16,598.6 million (US$2,349.4 million) and RMB17,743.0 million (US$2,511.4 million), respectively, which consisted of restricted cash, pledged deposits, cash at bank and on hand. In the foreseeable future, we expect these requirements to continue to be our principal requirements of liquidity and we may use a portion of the proceeds from this offering to finance some of our capital requirements.

Cash flow

The following table sets forth a summary of our cash flows as of the dates indicated.

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Operating cash flows before movements in working capital	1,046,328	2,033,527	6,412,300	907,602	1,724,006	2,064,261	292,177
Net cash flows (used in)/ generated from operating activities	(6,547,778)	1,724,927	(3,838,522)	(543,308)	(961,691)	1,979,871	280,233
Net cash flows used in investing activities	(4,511,225)	(1,320,190)	(9,261,234)	(1,310,843)	(3,675,681)	(2,351,371)	(332,815)
Net cash flows generated from financing activities	13,187,705	3,825,472	16,624,564	2,353,054	1,501,166	3,094,507	437,999
Net increase in cash and cash equivalents	2,128,702	4,230,209	3,524,808	498,904	(3,136,206)	2,723,007	385,417
Cash and cash equivalents at beginning of year	699,941	2,876,901	7,083,520	1,002,607	7,083,520	10,558,738	1,494,492
Effect of foreign exchange rate, net	48,258	(23,590)	(49,590)	(7,019)	(8,657)	(38,991)	(5,519)
Cash and cash equivalents at the end of period	2,876,901	7,083,520	10,558,738	1,494,492	3,938,657	13,242,754	1,874,390

Net cash (used in)/generated from operating activities

Our net cash used in operating activities principally comprises payments made in relation to our property development activities, including construction costs and land acquisitions. Our cash generated from operating activities is principally proceeds received from pre-sales and sales of our properties.

In the first half of 2020, our net cash flows generated from operating activities were RMB1,979.9 million (US$280.2 million), which was the result of cash generated from operations of RMB4,034.8 million (US$571.1 million), net of tax paid of RMB891.6 million (US$126.2 million) and interest paid of RMB1,218.5 million (US$172.5 million) partially offset by interest received of RMB55.2 million. We had operating cash flows, before movements in working capital, of RMB2,064.2 million (US$292.2 million). The increase of RMB1,970.6 million (US$278.9 million) in the working capital was primarily attributable to (i) a decrease in properties under development and completed properties held for sale of RMB1,317.3 million, (ii) a decrease in restricted cash of RMB1,626.7 million, (iii) an increase in trade and bills payables of RMB971.3 million, which was partially offset by an increase in prepayments, other receivables and other assets of RMB1,953.2 million.

In 2019, our net cash flows used in operating activities were RMB3,838.5 million (US$551.4 million), which was the result of cash used in operating activities of RMB380.2 million (US$54.6 million), interest paid of RMB2,294.2 million (US$329.5 million) and tax paid of RMB1,311.2 million (US$188.3 million), partially offset by interest received of RMB147.1 million (US$21.1 million). We had operating cash flows, before movements in working capital, of RMB6,412.3 million (US$921.1 million). The decrease of RMB6,792.5 million (US$975.7 million) in the working capital was primarily attributable to (i) an increase in restricted cash of RMB3,126.2 million, (ii) a decrease in contract liabilities of RMB6,178.5 million (US$887.5 million) and (iii) a decrease in other payables of RMB1,612.0 million (US$231.5 million), which was partially offset by (i) an increase in trade and bills payables of 2,314.9 million (US$332.5 million) and (ii) a decrease in prepayments, other receivables and other assets of RMB897.4 million (US$128.9 million).

In 2018, our net cash flows generated from operating activities were RMB1,724.9 million, which was the result of cash generated from operations of RMB3,706.1 million (US$3,934.0 million), net of tax paid of RMB1,074.5 million and interest paid of RMB934.3 million. We had operating cash flows, before movements in working capital, of RMB2,033.5 million. The increase of RMB1,672.6 million in the working capital was primarily attributable to increase in contract liabilities of RMB19,329.2 million, partially offset by (i) increase in properties under development and completed properties held for sale of RMB15,063.9 million and (ii) increase in prepayments and other receivables of RMB3,275.2 million, primarily driven by the increased land acquisition activities.

In 2017, our net cash flows used in operating activities were RMB6,547.8 million, which was the result of cash used in operations of RMB4,848.9 million, plus interest paid of RMB1,080.4 million and tax paid of RMB640.3 million. We had operating cash flows, before movements in working capital, of RMB1,046.3 million. The decrease of RMB5,895.2 million in the working capital was primarily attributable to an increase in properties under development and completed properties held for sale of RMB16,532.3 million, which was partially offset by an increase in contract liabilities of RMB12,599.7 million.

Net cash used in investing activities

Our cash used in investing activities principally comprises of cash outflows in connection with our investment properties, investments in associate and joint ventures and purchase of property, plant and equipment as well as intangible assets.

In the first half of 2020, our net cash flows used in investing activities were RMB2,351.4 million (US$332.8 million), which was primarily attributable to (i) investment in joint ventures of RMB1,744.3 million (US$246.9 million), (ii) investments in associates of RMB354.5 million (US$50.2 million) and (iii) acquisition of financial assets at fair value through profit or loss of RMB202.1 million (US$28.6 million).

In 2019, our net cash flows used in investing activities were RMB9,261.2 million (US$1,330.3 million), which was primarily attributable to (i) investments in associates of RMB6,484.4 million (US$931.4 million), (ii) investment in joint ventures of RMB2,064.3 million (US$296.5 million) and (iii) acquisition of subsidiaries of RMB648.2 million (US$93.1 million).

In 2018, our net cash flows used in investing activities were RMB1,320.2 million, which was primarily attributable to (i) investments in joint ventures of RMB485.9 million, (ii) investments in associates of RMB474.8 million, (iii) an increase in investment properties of RMB149.4 million and (iv) advance to a third party of RMB139.4 million.

In 2017, our net cash flows used in investing activities were RMB4,511.2 million, which was primarily attributable to (i) investments in joint ventures of RMB3,205.0 million, (ii) advance to a third party of RMB739.6 million, and (iii) acquisition of subsidiaries of RMB472.2 million.

Net cash generated from financing activities

Our cash used in financing activities principally comprises repayment of advance from related parties, advance to related parties and repayment of interest-bearing bank and other borrowings. Our cash generated from financing activities principally comprises proceeds from interest-bearing bank and other borrowings, repayment from related parties and repayment of advance to related parties.

In the first half of 2020, our net cash flows generated from financing activities were RMB3,094.5 million (US$438.0 million), which was primarily attributable to (i) advances from related companies of RMB4,782.9 million (US$677.0 million), (ii) repayment of advances to related companies of RMB1,031.2 million (US$146.0 million) and (iii) proceeds from interest-bearing bank and other borrowings of RMB7,182.7 million (US$1,016.6 million), which was partially offset by (i) repayment of advances from related companies of RMB3,427.2 million (US$485.1 million), (ii) advances to related companies of RMB1,935.2 million (US$273.9 million) and (iii) repayment of interest-bearing bank and other borrowings of RMB7,995.9 million (US$1,131.7 million).

In 2019, our net cash flows generated from financing activities were RMB16,624.6 million (US$2,388.0 million), which was primarily attributable to (i) advances from related companies of RMB47,700.0 million (US$6,851.6 million), (ii) repayment of advances to related companies of RMB23,790.5 million (US$3,417.3 million) and (iii) proceeds from interest-bearing bank and other borrowings of RMB21,748.0 million (US$3,123.9 million), which was partially offset by (i) repayment of advances from related companies of RMB43,387.3 million (US$6,232.2 million), (ii) advances to related companies of RMB23,497.8 million (US$3,375.2 million) and (iii) repayment of interest-bearing bank and other borrowings of RMB18,528.5 million (US$2,661.5 million).

In 2018, our net cash flows generated from financing activities were RMB3,825.5 million, which was primarily attributable to (i) proceeds from interest-bearing bank and other borrowings of RMB16,367.8 million, (ii) advance from related companies of RMB15,790.2 million and (iii) repayment of advance to related companies of RMB10,086.1 million, partially offset by (i) repayment of advance from related companies of RMB16,714.9 million, (ii) repayment of interest-bearing bank and other borrowings of RMB11,603.0 million and (iii) advance to related companies of RMB10,691.5 million.

In 2017, our net cash flows generated from financing activities were RMB13,187.7 million, which was primarily attributable to (i) repayment of advance to related companies of RMB15,390.7 million, (ii) proceeds from interest-bearing bank and other borrowings of RMB14,277.7 million and (iii) advance from related companies of RMB11,781.9 million, partially offset by (i) advance to related companies of RMB15,737.8 million, (ii) repayment of advance from related companies of RMB9,691.9 million and (iii) repayment of interest-bearing bank and other borrowings of RMB4,039.6 million.

INDEBTEDNESS

Overview

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total borrowings (including interest-bearing bank and other loans, senior notes and corporate bonds) amounted to RMB16,675.6 million, RMB22,102.8 million and RMB26,573.0 million (US$3,761.2 million) and RMB28,431.3 million (US$4,024.2 million), respectively. The following table sets forth the components of our borrowings and lease liabilities as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Non-current						
Bank loans – secured	3,648,961	5,914,494	7,823,160	1,107,296	8,582,823	1,214,820
Other loans – secured(1)	3,777,559	6,371,246	6,698,115	948,057	5,314,705	752,248
Senior notes	–	–	–	–	1,448,251	204,987
Corporate bonds	–	592,070	406,552	57,544	416,263	58,918
Lease liabilities	–	–	29,483	4,173	22,577	3,196
Current						
Bank loans – secured	–	50,000	–	–	–	–
Other loans – secured(1)	596,400	2,713,907	2,357,686	333,709	1,031,397	145,985
Other loans – unsecured	–	–	741,242	104,916	1,667,142	235,969
Current portion of long term bank loans – secured	2,424,627	3,107,694	3,550,410	502,528	3,989,233	564,639
Current portion of other loans – secured(1)	6,228,100	3,353,363	3,559,585	503,827	3,331,677	471,568
Senior notes	–	–	812,145	114,952	2,028,008	287,046
Corporate bonds	–	–	624,072	88,332	621,816	88,012
Lease liabilities	–	–	30,629	4,335	29,017	4,107
Total	16,675,647	22,102,774	26,633,079	3,769,668	28,482,909	4,031,494

Note:

(1) Other loans include financing arrangements with trust companies, asset management companies and other financial institutions during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 and a loan from a non-controlling shareholder of one of our subsidiaries to us in 2019.

We adopted IFRS 16 on January 1, 2019, which applies a single recognition and measurement method to recognize operating leases, except for short term leases. Under this approach, as of June 30, 2020, we recorded right-of-use assets of RMB65.1 million (US$9.2 million), lease liabilities of RMB22.6 million (US$3.2 million) under non-current liabilities and lease liabilities within one year of RMB29.0 million (US$4.1 million), instead of amounts of future aggregate minimum lease payments under operating lease.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our borrowings and corporate bonds were repayable as follows.

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Bank loans repayable:						
Within one year or on demand	2,424,627	3,157,694	3,550,410	502,528	3,989,233	564,639
In the second year	930,000	4,516,794	4,513,400	638,830	5,614,373	794,663
In the third to fifth years, inclusive	2,718,961	1,397,700	3,309,760	468,466	2,968,450	420,157
	6,073,588	9,072,188	11,373,570	1,609,824	12,572,056	1,779,459
Other borrowings, senior notes and corporate bonds repayable:						
Within one year or on demand	6,824,500	6,067,270	8,094,730	1,145,735	6,030,216	853,522
In the second year	3,597,559	6,371,246	6,889,667	975,169	4,934,705	698,462
In the third to fifth years, inclusive	180,000	592,070	215,000	30,431	380,000	53,786
	10,602,059	13,030,586	15,199,397	2,151,335	11,344,921	1,605,769
	16,675,647	22,102,774	26,572,967	3,761,159	23,916,977	3,385,228

Trust and Other Financing Arrangements

As with many other property developers in the PRC, we also enter into financing arrangements with trust companies, asset management companies and their financing vehicles, as well as other financial institutions in the ordinary course of business to finance our property development and other related operations. As of June 30, 2020, the total outstanding balance of our trust financing borrowings was RMB11,344.9 million (US$1,605.8 million). For more information, see "Description of Other Material Indebtedness – Trust Financing and Other Financing Arrangements."

Corporate Bonds

We issued the private corporate bonds due 2021 at a coupon rate of 7.9% and in the aggregate principal amount of RMB313.0 million (US$45.0 million) in October 2018. We issued the private corporate bonds due 2021 at coupon rate of 7.5% and in the aggregate principal amount of RMB276.0 million (US$39.6 million) in October 2018. In April 2019, we issued private corporate bonds due 2022 at a coupon rate of 7.5% in the aggregate principle amount of RMB417.0 million (US$59.9 million). In December 2020, we issued private corporate bonds due 2023 at a coupon rate of 7.0% in the aggregate principal amount of RMB300.0 million (US$42.5 million).

Private Debt Financing

On August 26, 2019 and October 9, 2019, we issued offshore Private Debt Financing which consisted of an offshore private loan and offshore private notes in an aggregate principal amount of US$169.9 million. The Private Debt Financing has an interest rate of 12.5% per annum and a term of six months, which term can be extended by an additional 180 days if requested by us. We fully repaid the Private Debt Financing on February 24, 2020.

BOCI Facility

On February 12, 2020, we entered into the BOCI Facility Agreement with BOCI Leveraged & Structured Finance Limited in connection with the BOCI Facility in the aggregate principal amount of US$140.0 million, secured by certain assets of the Group. The BOCI Facility has an interest rate of 9.75% per annum and matured December 31, 2020. As of the date of this offering memorandum, we fully repaid the BOCI Facility.

March 2021 Notes

On March 11, 2020, we entered into an indenture (as amended or supplemented from time to time, the "**March 2021 Indenture**"). Pursuant to the March 2021 Indenture, we issued an aggregate principal amount of US$280,000,000 of the March 2021 Notes on March 11, 2020. As of the date of this offering memorandum, the March 2021 Notes remained outstanding.

June 2022 Notes

On June 11, 2020, we entered into an indenture (as amended or supplemented from time to time, the "**June 2022 Indenture**"). Pursuant to the June 2022 Indenture, we issued an aggregate principal amount of US$210,000,000 of the June 2022 Notes on June 11, 2020. As of the date of this offering memorandum, the June 2022 Notes remained outstanding.

COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

We lease certain of our premises of our investment properties under operating leases arrangement. These leases typically run for a period of up to 20 years. We adopted IFRS 16 on January 1, 2019, which applies a single recognition and measurement method to recognize operating leases, except for short term leases. Under this approach, as of June 30, 2020, we recorded right-of-use assets of RMB65.1 million (US$9.2 million), lease liabilities of RMB22.6 million (US$3.2 million) under non-current liabilities and lease liabilities within one year of RMB29.0 million (US$4.1 million), instead of amounts of future aggregate minimum lease payments under operating lease.

Capital commitments

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, our capital commitments mainly related to investment properties and acquisition of properties. The table below sets forth our capital commitments as of the dates indicated.

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Contracted, but not provided for:						
Property development Activities	9,035,011	14,421,385	16,202,939	2,293,377	16,225,023	2,296,503
Acquisition of land use rights	262,809	–	–	–	3,273,872	463,387
Acquisition of equity interests	1,770,108	2,324,914	2,069,468	292,914	1,309,704	185,377
Capital contribution for investment in joint ventures and associates	24,000	79,692	713,300	100,961	4,755,240	673,061
Total	11,091,928	16,825,991	18,985,707	2,687,252	25,563,839	3,618,327

Contingent Liabilities

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 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.

The following table set forth our total guarantees as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Guarantees given to banks in connection with facilities granted to purchasers of our properties	9,059,100	27,465,861	27,964,704	3,958,147	29,906,357	4,232,970
Guarantees given to banks in connection with facilities granted to related parties and third parties	2,607,400	4,854,792	8,633,382	1,221,976	8,267,651	1,170,210

Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as of latest date for liquidity disclosure, being the latest practicable date for the purpose of the indebtedness statement. There had not been any material change in the indebtedness, capital commitments and contingent liabilities of our Group since June 30, 2020 and as of the date of this offering memorandum.

Legal contingencies

In the normal course of business, we may be involved in lawsuits and other proceedings. As of the date of this offering memorandum, we had made a provision for the case with Jiangxi Construction. See "Business – Legal Proceedings and Compliance – Ongoing Legal Proceedings – Dispute with a contractor" for more details.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Interest rate risk

Our exposure interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose us to cash flow interest-rate risk. Private corporate bonds, bank and other borrowing issued at fixed rates expose us to fair value interest rate risk. For borrowings obtained at variable rates, we are exposed to cash flow interest rate risk which is partially offset by cash held at variable rates. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements.

Our Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes interest rates, because the interest rates of bank balances are not expected to change significantly.

The sensitivity analysis above assumes that the changes in interest rates would have occurred as of the dates indicated and had been applied to all of our floating rate loans and borrowings from financial institutions, without taking into account the impact of interest capitalization.

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 financial assets and liabilities, such as its US dollar denominated senior notes.

Credit risk

We are exposed to credit risk in relation to our trade and other receivables and cash deposits with banks. The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets. To manage this risk, deposits are mainly placed with licensed banks which are all high-credit-quality financial institutions.

We have no significant concentrations of credit risk in view of our large number of customers. We did not record any significant bad debts losses during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020. The credit risk of our other financial assets, which mainly comprise restricted cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Directors do not expect any significant losses from non-performance of these counterparties.

Liquidity risk

We aim to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities and private corporate bonds to meet our operation needs and commitments in respect of property projects. Our objective is to maintain a balance between continually of funding and flexibility through the use of interest-bearing bank and other borrowings. We review our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, pre-sales/sales results, maturity of our borrowings and the progress of the planned property development projects in order to monitor our liquidity requirements in the short and long terms. We have established an appropriate liquidity risk management measures for our liquidity management requirements to ensure that we maintain sufficient reserves of, and adequate committed lines of funding from, financial institutions to meet our liquidity requirements in the short and long term.

NON-GAAP FINANCIAL MEASURES

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

- fair value gains on investment properties;
- fair value gains/(losses) on financial assets at fair value through profit or loss;
- fair value (gains)/losses on financial liabilities at fair value through profit or loss;
- Listing expenses;

- net finance costs;
- interest capitalized in cost of sales;
- depreciation; and
- amortization.

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

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

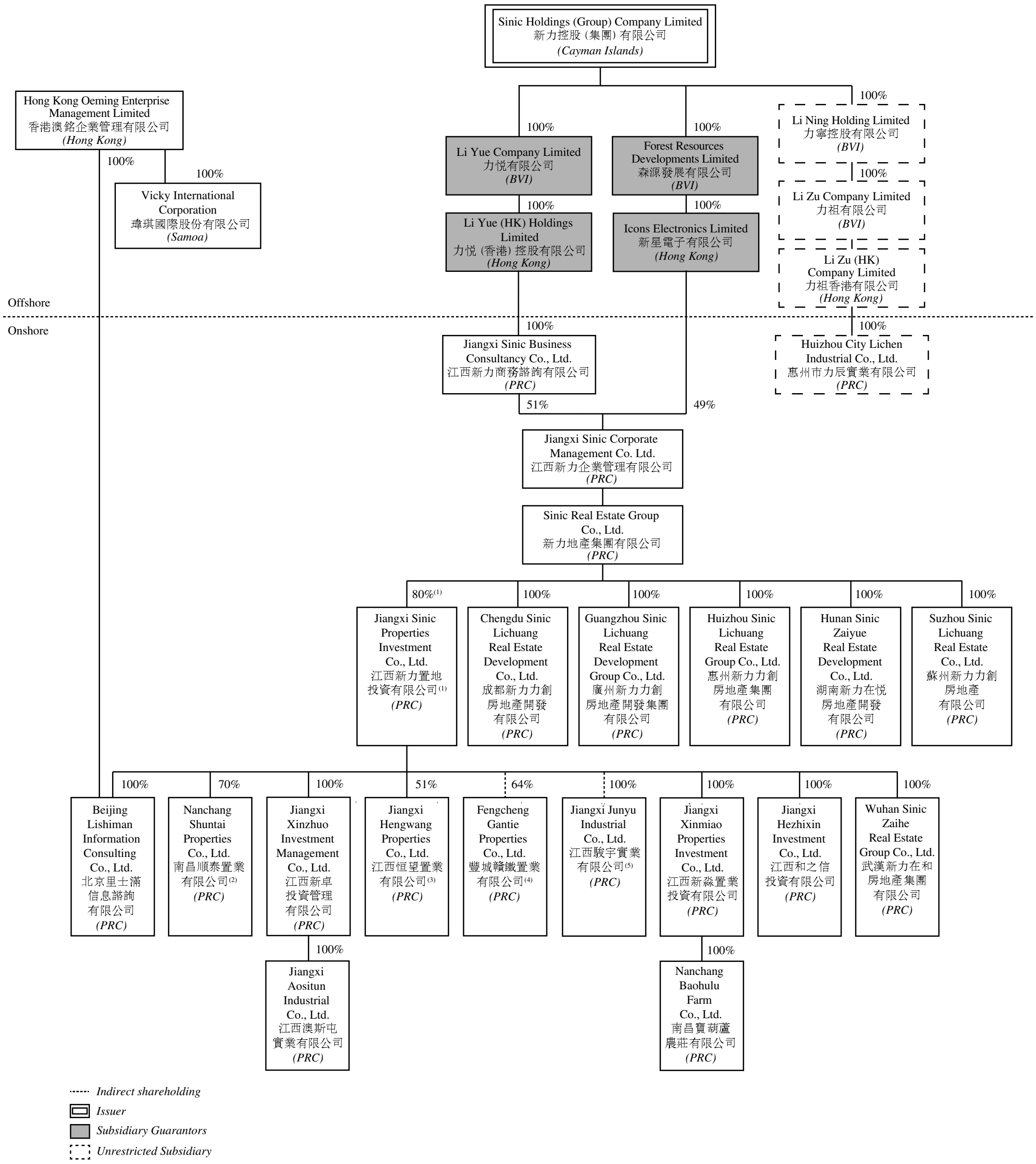
The following table reconciles our profit for the year under IFRS to our definition of EBITDA for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Profit before tax	842,403	1,863,489	6,264,024	886,615	1,635,519	2,098,773	297,062
Adjustments:							
Fair value gains on investment properties	(86,038)	(110,159)	(164,786)	(23,324)	(133,780)	(148,507)	(21,020)
Fair value (gains)/losses on financial assets at fair value through profit or loss	–	(18,861)	24,816	3,512	63,632	(31,051)	(4,395)
Fair value (gains)/losses on financial liabilities at fair value through profit or loss	(74)	(242)	(121)	(17)	(105)	(40)	(6)
Interest on loans and borrowings	1,109,377	1,218,042	2,191,382	310,170	293,615	286,455	40,545
Interest income	(27,417)	(105,680)	(47,178)	(6,678)	(12,892)	(58,482)	(8,278)
Depreciation	8,872	19,435	25,375	3,592	23,346	24,236	3,430
Amortization	581	820	2,493	353	794	2,243	317
EBITDA	1,847,704	2,866,844	8,296,005	1,174,223	1,870,129	2,173,627	307,657

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 non-operating 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 sets forth a simplified corporate structure of our Group as of the date of this offering memorandum:



Note:

(1) 20% equity interest of Jiangxi Sinic Properties Investments Co., Ltd was held by Shanghai Daichuang Industrial Co., Ltd., our wholly owned subsidiary.

(2) The remaining 30% equity interest in Nanchang Shuntai Properties Co., Ltd. was held by Mr. Li Haiwen.

(3) The remaining 49% equity interest in Jiangxi Hengwang Properties Co., Ltd. was held by Jiangxisheng Huayin Investment Development Co., Ltd., an Independent Third Party save for its shareholding in Jiangxi Hengwang Properties Co., Ltd.

(4) The beneficial equity interest indirectly held by the Company in Fengcheng Gantie Properties Co., Ltd. is 64%. Fengcheng Gantie Properties Co., Ltd. was owned as to 90% by Nanchang Tianju Industrial Co., Ltd. and 10% by Jiangxi Xinwan Real Estate Development Co., Ltd., which was wholly owned by Jiangxi Sinic Properties.

Nanchang Tianju Industrial Co., Ltd. was owned as to 60% by Jiangxi Sinic Properties Investments Co., Ltd., 25% by Ms. Xia Hongxia (夏紅霞) and 15% by Mr. Chen Chen (陳晨) , all Independent Third Parties save for their shareholding in Nanchang Tianju Industrial Co., Ltd.

(5) The beneficial equity interest indirectly held by the Company in Jiangxi Junyu Industrial Co., Ltd. is 67.55%.

OVERVIEW

We are a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Through 10 years of operations, we have successfully established a leading position among residential property developers in Jiangxi Province and, by leveraging our success and experience in Jiangxi Province, expanded our property development business into the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential. In 2019, we were ranked 36th, 32nd and 31st among the property developers in the PRC in terms of total sales amount according CRIC, China Index Academy and EH Consulting, respectively. We were recognized as one of the China's Top 50 Real Estate Developers jointly by the China Real Estate Industry Association, Shanghai Yiju Real Estate Research Institution and China Real Estate Appraisal Center in 2018 and 2019, and one of the China's Top 30 Real Estate Developers in 2020 and Growth Top 10 in 2020 by the China Real Estate Top 10 Research Committee and China Index Academy in 2020.

We strive to distinguish ourselves from our competitors by developing properties that suit the needs and preferences of our target customers featuring quality designs, convenience and comfort. We have developed three major project series for residential properties, namely, the "Wan" Series (灣系), targeting first-time home buyers, the "Yuan" Series (園系), targeting purchasers seeking to purchase a second home or upgrade their home, and the "Yue" Series (悦 系) , targeting extended families or high-income households. We place a great emphasis on the quality of our products, and set detailed standards on a number of design and construction requirements, such as style, landscape, construction materials and interior designs. As a result, we have received numerous awards in recognition of our product quality. In 2019, we received the "2019 China's TOP30 Investment Value Real Estate Enterprise" on Bo'ao Real Estate Forum China Real Estate Fengshang Prize. Our first residential property project, Nanchang Dibo Wan in Nanchang, received the National Scenic Garden Construction Project Silver Prize from China Garden Network (中國園林網) in 2013.

In addition, in order to maximize investment returns, improve cash flow and achieve sustainable growth, we strive to standardize our project development cycle. We develop our properties through standardized operating procedures which not only help us to plan, design, construct and deliver properties on schedule, but also enable us to bring consistency in quality across our properties while maintaining relatively low costs.

We develop and sell quality properties. As of June 30, 2020, we had 138 property projects under various stages of development. As of June 30, 2020, our property projects had an aggregate GFA attributable to us of approximately 15.3 million sq.m. In addition to residential property development business, since August 2013, we started engaging in the development, operation and management of commercial properties and hold a portion of such commercial properties for investment purpose, with a view to not only diversifying our source of income but also enhancing the attractiveness of and facilitate demand for our residential properties. As of June 30, 2020, we had 14 commercial properties with an aggregate GFA of approximately 371,157.5 sq.m.

Our overall market position in the PRC, quality product offerings and strong brand name have all contributed to our past financial success. In 2017, 2018 and 2019, we recorded revenue of RMB5,241.1 million, RMB8,415.7 million and RMB26,984.9 million (US$3,819.5 million), respectively, representing a CAGR of 126.9%. Our revenue increased by 24.6% from RMB6,983.2 million in the first half of 2019 to RMB8,703.4 million (US$1,231.9 million) in the first half of 2020. In 2017, 2018 and 2019, our net profit was RMB278.2 million, RMB555.0 million and RMB2,014.3 million (US$285.1 million), respectively, representing a CAGR of 164.1%. Our net profit increased by 76.2% from RMB494.3 million in the first half of 2019 to RMB871.0 million (US$123.3 million) in the first half of 2020.

OUR BUSINESS STRENGTHS

We believe that our market position is principally attributable to the following competitive strengths:

Leading, Large-scale and Comprehensive Property Developer in Jiangxi Province with A Strategic and National Expansion Plan

We are a large-scale and comprehensive property developer in the PRC, focusing on the development of residential and commercial properties. Since our inception in Nanchang, Jiangxi Province in 2010, we have expanded our property development business to the Yangtze River Delta Region, the Greater Bay Region and the Central and Western Core China Cities and Other Regions with High-Growth Potential. In June 2017, we moved our headquarters from Nanchang to Shanghai in furtherance of our national expansion plan and to attract more talents. We have established a leading market position in Jiangxi Province and are growing into a national property developer. According to C& W Report, based on the contracted sales amount of properties in 2017, 2018, and the first quarter of 2019, we were ranked first among all property developers in Jiangxi Province. In 2018 and 2019, we were recognized as one of the China's Top 100 Real Estate Enterprises – Growth Top 10 (中國房地產百強企業 – 成長性 Top 10) based on our sales growth. In 2019, we were ranked 36th, 32nd and 31st among the property developers in the PRC in terms of total sales amount according CRIC, CREIS and Yihan Think Tank, respectively. We were recognized as one of the China's Top 10 Real Estate Development Enterprises in Regional Operation jointly by the China Real Estate Industry Association, Shanghai Yiju Real Estate Research Institution and China Real Estate Appraisal in 2018. See the section entitled "– Awards and Recognitions" for more details of our awards and recognitions.

As of June 30, 2020, we had a total of 138 property projects at various stages of development, 54 of which were located in Jiangxi Province, 32 in Yangtze River Delta Region and 24 in Greater Bay Region, and 28 in Central and Western China Core Cities and Other Regions with High-Growth Potential. As of June 30, 2020, these 138 projects had an aggregate GFA attributable to us of approximately 15.3 million sq.m.

In selecting the cities to develop in Jiangxi Province and these three targeted regions, we generally assess a wide range of factors, including but not limited to, the conditions of local economy, population concentration and economic growth potential. We believe our footprint and entrance in these strategically selected cities and regions provide us with a solid foundation to carry out our national expansion plan.

We have developed three major series for residential property products, namely, the "Wan" Series (灣系), the "Yuan" Series (園系) and the "Yue" Series (悅系) targeting different customers. We also engage in the development, operation and management of commercial properties including integrated commercial complexes, shopping center, apartments and office buildings, and hold a portion of such commercial properties for investment purposes. As of June 30, 2020, we had 14 commercial properties with a total gross floor area of 371,157.5 sq.m. We do not have a pre-determined ratio of rentable GFA to saleable GFA of our properties.

We believe our strong market position in Jiangxi Province and strategic expansion into other targeted cities and regions in China will help us to grow into a major national property developer in the PRC real estate market.

Quality Products and Services Maximizing Customer Satisfaction and Enhancing Our Brand Name

We believe that we have established a strong brand name in the PRC markets by bringing quality residential property projects to market, and providing well-rounded services to our customers.

Since our first project, Nanchang Dibo Wan, in 2010, we have placed a great emphasis on quality throughout the entire development cycle. We have designed and implemented quality control standards and procedures for every property project, including but not limited to, standardized quality control on design, procurement, construction and delivery. Our quality control team also regularly inspects our property projects and hires third-party inspectors to conduct regular checks to ensure quality.

In order to offer distinctive and quality designs, our product research and development teams work closely with domestic architecture and design firms, such as Shanghai Xinwaijian Construction Design and Consultancy Company Limited (上海新外建工程設計與顧問有限公司), Yijing (Shanghai) Construction Design Company Limited (意境(上海)建築設計有限公司), and Daiwen Construction Design (Shanghai) Company Limited (戴文工程設計(上海)有限公司). Our quality control team conducts detailed and routine checks on our construction contractors by themselves or through third-party inspectors to ensure consistent quality of our property projects. Our construction management team oversees the implementation of our quality control standards, and strictly follows our standard procedures to follow up on and solve any quality issues that may arise during the construction process. We also utilize a centralized information system on our suppliers, which helps us to keep track of the latest information and feedbacks on the suppliers. In addition, we conduct regular and random checks on our suppliers to control quality. Before delivering our properties, our property maintenance and sales team members conduct walk-throughs to help ensure the quality. We adhere to a "zero tolerance" principle with respect to quality issues on materials, design work, brand name and management of our properties and strictly implement our quality control measures, requirements and procedures. The engineering quality assessment score was as high as 82% in the first half of 2020 according to third-party engineering quality assessment agencies such as Shanghai Zhenchen Construction Engineering Consulting Management Co., Ltd. (上海臻忱建設工程諮詢管理有限公司), Shang hai Pingda Construction Engineering Management Consulting Co., Ltd. (上海平大建築工程管理諮詢有限公司), Yangzhou Chenli Engineering Project Management Consulting Co., Ltd. (揚州辰立工程項目管理諮詢有限公司).

We believe quality service is essential to enhancing our brand image. We have developed and implemented our "360 Happiness" customer service that centers on delivering a well-rounded and customer-oriented experience from pre-purchase to after-sales services. Our "360 Happiness" customer services include "Happy Purchase" (悅買房), "Happy Delivery" (悅交房) and "Happy Living" (悅居家) services:

- "Happy Purchase" service provides professional consulting services to potential customers;

- "Happy Delivery" service is a one-on-one service provided to customers at the time of delivery, which includes a walk-through with our delivery manager, who helps to record and follows up on issues that may be identified by customers; and

- "Happy Living" service mainly includes property management services provided to residents of our properties by property management companies arranged by us. Such services include various community activities, maintenance work, other value-added services and 12-hour hotline to monitor such services and solve relevant issues.

We rely on our customers value center and relevant property management companies we engage to provide after-sales services. Our customers value center is responsible for collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedback to our other departments to improve our operations, including product design and marketing strategies. Our after-sales services are also evaluated by third-party surveyors, such as Beijing FG Consulting Co., Ltd. Our overall customer satisfaction was 89.9% in 2020 according to a survey conducted by FG Consulting.

We believe that our quality products and services will continue to help us maximize customer satisfaction, enhance brand name and achieve sustainable long-term growth.

Standardized Operating Procedures Enabling Us to Achieve Operating Efficiency While Maintaining High Quality

We believe a key contributor to our growth is our focus on developing quality properties using our standardized operating procedures, which cover the entire cycle of the property development process from site selection, land acquisition, product planning and design to sales and marketing. We believe that our standardized operating procedures enable us to achieve consistent quality and replicate our operating success into new markets in a cost-effective manner.

To achieve standardization of our procedures, we have relied on our historical property development experience and proven track record in formulating operating manuals that set out our specified requirements and execution processes for activities at every stage of the property development.

With respect to land acquisitions, we set detailed timetables, goals and requirements for different land acquisition methods in order to evaluate land acquisition opportunities and complete such acquisition in a timely manner.

With respect to product designs, we have developed three major series of residential products to cater to different needs of customers. Our "Wan" Series mainly target first-time home purchasers; "Yuan" Series mainly targets second-home purchasers seeking to upgrade their homes; and "Yue" Series mainly targets extended families or high-income households. These products offer comfortable living experiences through, among others, appealing landscaping, comprehensive ancillary facilities and tasteful interior designs. The product model of these products are fine-tuned by our product design teams to fit specific customer preferences in different markets through standardized review and amendment process.

With respect to procurement, we have established a centralized information system that regularly collects relevant information and feedbacks on our suppliers, helping us to better assess their suitability for our procurement needs.

With respect to construction management, we conduct checks at different stages of the construction process according to different sets of standardized quality requirements. The results of such checks are collected through a centralized system to allow different departments to closely follow up on the progress and solve any issues.

With respect to operations management, we have formulated different guidelines and goals for different cities or projects based on, among others, the specific market conditions and internal requirements. We apply standardized procedures to sales activities across different property projects to ensure effective implementation of our sales and marketing messages in the PRC market.

In addition, we employ a centralized information platform to manage our property projects. The platform helps our team members at the Group, city and project levels to seamlessly exchange information on various aspects of property development and better identify and control our operational risks.

We believe that our standardized operating procedures have enhanced our operating efficiency and reduced overall costs and will continue to help us to achieve success in the future.

Flexible Land Acquisition Methods and Sizeable and Quality Land Bank

We adopt a flexible approach toward the selection and acquisition of land for future development to sustain our continued growth. We adopt diversified land acquisition methods depending on the prevailing market conditions to control our land cost including land tenders, acquisition of project companies which possess land parcels, and the establishment of joint ventures with other property developers. We assess the local market conditions, PRC regulation or policy change and our development goals and adjust our land acquisition methods accordingly. By acquiring land through multiple channels and flexible approach, together with our market foresight and in-depth understanding of property market dynamics, we are able to quickly react to changing market conditions and seek and capitalize on land acquisition opportunities by employing the land acquisition methods which could enable us to acquire the land at a relatively low cost. We aim to capture opportunities in China's fluctuating land market by avoiding acquisitions when the land market overheats and by engaging in land acquisitions when a low cost opportunity becomes available. We generally acquire land based on stringent evaluations on market demand, financial and return criteria. We participate in land auctions if proper opportunities emerge but bid cautiously with strict price limit to ensure that our acquired land prices are not overly expensive. In December 2018, we cooperated with two property developers which are Independent Third Parties to obtain the land parcel, Nanjing Jiangning 110 Mu, through public land tenders. By leveraging our developer partners' reputation, industrial experience and financial resources in the local market, we won the bid and achieved a land premium rate of 0% on the land parcel, as the bidding price offered by us was the same as the value priced by the local government.

We believe that our extensive experience in and flexible approach towards land acquisitions have enabled us to build a successful track record in identifying and acquiring land parcels with long-term investment value, which allows us to maintain attractive unit land costs relative to the market value for our property projects. As of June 30, 2020, we had a total of land bank of approximately 15.3 million sq.m. of planned GFA attributable to us located in four regions.

Prudent Financial Policy and Proactive Management of Our Capital Structure

We adopt a prudent and systematic approach to financial management and grow our business in a prudent manner.

We focus on managing two aspects of our financial activities, namely, cash flow management and cost control. On cash flow management, we closely monitor our capital and cash positions through regular liquidity assessment and monthly cash balance assessment on our subsidiaries in accordance with our business development plan. Through effective implementation of our standardized operating procedures covering various phases of our property development process, we strive to shorten the property development cycle from project planning and construction, pre-sale and delivery of property projects. In addition, we have diversified financing channels to optimize capital structure and liquidity, including bank and other borrowings and corporate bonds. We have cultivated stable relationships with reputable banks and large financial institutions from the PRC and Hong Kong, such as China Minsheng Bank, China CITIC Bank, Ping An Bank, CMB Wing Lung Bank and Bank of China (Hong Kong). We issued the 7.90% private corporate bonds due 2021 in the aggregate principal amount of RMB313.0 million (US$46.5 million) in the PRC in October 2018 and the 7.50% private corporate bonds due 2021 in the aggregate principal amount of RMB276.0 million (US$41.0 million) in the PRC in December 2018. In April 2019, we issued the 7.50% private corporate bonds due 2022 in the aggregate principal amount of RMB417.0 million (US$61.9 million) in the PRC. In December 2020, we issued private corporate bonds due 2023 at a coupon rate of 7.0% in the aggregate principal amount of RMB300.0 million (US$42.5 million).

We believe that by adhering to prudent cost management, we will be able to utilize our working capital more efficiently and maintain healthy profit margins. We employ standardized cost control procedures and requirements to manage our land acquisition, construction and operational costs. For example, we generally centralize our procurement with selected suppliers to better control our costs. We have designed and implemented a series of construction and procurement guidelines and procedures that are designed to strategically manage and control costs in a number of ways, including but not limited to, the use of invite-only bids from suppliers for certain procurement activities. In 2018, we were able to achieve centralized procurement for over 80% of materials required by us for the development of our residential property projects. We plan to continue to proactively monitor our capital structure, carefully manage our land acquisition costs, construction costs and operating expenses, the maturity profiles of our borrowings and any relevant changes to the applicable PRC laws to ensure sufficient cash flows to service our indebtedness, meet cash and regulatory requirements, adhere to our investment plans and maintain a healthy level of liquidity. For details on our internal control measures in relation to our liquidity management, see "– Risk Management."

We believe that, through our prudent financial management and cost control measures, we will continue to effectively utilize our capital and sustain long-term growth and be less susceptible to market fluctuations.

Visionary and Experienced Management Team and Capable Operational Team with Proven Execution Capabilities

We believe that our past success and future prospects depend on the quality and experience of our management and operation teams. In the last few years, we have assembled a professional and experienced management team, with an average work experience of around 10 years in the real estate industry, who possess in-depth industry knowledge and share a strategic vision and positive outlook for the future of our Company. See "Management – Board of Directors" for more details. We believe that our visionary and experienced management team has contributed to our success and will continue to be critical to our expansion and long-term growth.

We place a great emphasis on attracting talents. In June 2017, we moved our headquarters from Shenzhen to Shanghai as part of our efforts to attract more talents in the market in furtherance of our national expansion plan. We have attracted scores of talented and capable employees from a number of reputable property developers in the PRC.

We focus on offering valuable training programs to help our employees to develop their skills at different stages in their careers, including but not limited to:

- "New talent plan" (新力量計劃) – attract the talented students from elite schools who can become capable new employees;
- "Orientation plan" (蓄力計劃) – help new joiners to quickly familiarize themselves with the company culture, operational procedures and work assignments;
- "Growth plan" (鑄力計劃) – equip employees with better operational and management skills in their respective work areas;
- "Advanced plan" (聚力計劃) – cultivate selected employees to become valuable experts in their respective work areas; and
- "Tutor plan" (竹林計劃) – train certain employees to become tutors who can then pass their knowledge to other employees through training sessions.

We have introduced five "Sinic Growth Values" which include the values of staying customer-oriented with our product offerings, being result-oriented while having a cost-efficient mindset, setting a good example for team members, working together to meet challenges in any circumstances, and establishing transparency and trustworthiness within our Group and with our customers and business partners. We consider that our "Sinic Growth Values" represent the core values of our corporate culture and competitive strength, and enable us to maintain our competitive strength.

OUR BUSINESS STRATEGIES

Our goal is to become a national comprehensive property developer offering quality products and services in the PRC. To achieve our goal, we intend to implement the following strategies:

Continue Our Strategic Expansion into the Selected Cities and Regions and Further Solidify Our Position in the PRC Market

We will continue to develop our property projects in Jiangxi Province, the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential in the future. We plan to further solidify our existing market position and expand into selected cities in Jiangxi Province and the three regions which we consider to be of high growth potential. We believe that, with our experience and success, particularly in Jiangxi Province, we are well positioned to advance our footprint, further expand in the national market and obtain greater market share in our existing markets.

In selecting cities for future development, we generally assess (i) local economic indicators, population, GDP growth rate and average disposable income and macroeconomic trends, (ii) local laws and regulations on property development sector, (iii) supply and demand conditions of the local property market, pricing trends, sell-through rates and other related factors and (iv) sales record of comparable projects in the same local market, assessment of future market performance and the size of our potential customer base. We plan to continue to monitor and research quality sites in high-growth cities to identify opportunities to develop projects with high potential returns.

Further Elevate Our Customer-Oriented Products and Services to Increase Our Brand Recognition

We have primarily focused our property development on residential properties and intend to continue doing so in the future. However, we believe that there is an opportunity for us to create additional value for our property portfolio through value-added property services provided by the property management companies arranged by us and the development of commercial properties that are complementary to our selected residential properties. We plan to further develop and enhance our "360 Happiness" services through continued studies and feedbacks on our existing services, including "Happy Purchase" (悦購房), "Happy Delivery" (悦收房) and "Happy Living" (悦居家) services in order to elevate our customer experience. We believe that our customer-oriented approach to our product offerings and services will continue to help us to attract customers and elevate their living experience and, in turn, promote customer loyalty to our brand.

Continue to Implement Our Standardized Operating Procedures to Increase Operating Efficiency

We will continue to utilize our standardized operating procedures to enhance our operating efficiency and ensure consistency in the quality of our products. We believe that the implementation of our standardized operating procedures is key to our offering of quality products which, in turn, helps us to gain greater customer satisfaction and loyalty. We also believe that such approach will continue to enable us to capture market shares in our existing and new markets. We intend to conduct in-depth studies of target customers in new markets and increase the feedback collection from customers at our existing properties, as well as assessment of cost control measures used for our existing property projects, to further improve our standardized operating procedures in terms of quality and cost management. In addition, we also intend to achieve "real estate + Internet digital transformation" by building more comprehensive data management systems and improve our overall operational efficiency. We started to work with SAP and Deloitte to jointly build a "smart" enterprise/project-level master data platform to store and process project-related data for our business management. We also entered into a comprehensive digital cooperation agreement with Alibaba Cloud with the vision to integrate advanced technologies into our business management and explore digitalization opportunities in community living, industrial parks, retailing and real estate projects.

Maintain Prudent Financial Policies and Optimize Capital Structure

The property development business is capital intensive. We plan to maintain our prudent financial policies and optimize our capital structure through close monitor and control of cash flows, implementation of cost control measures, and maintenance of prudent financial policies. For example, we plan to further strengthen our cost control through more detailed assessments on property development costs, to formulate additional procedures to further lower costs while increasing operating efficiency and to obtain additional funding by accessing the international and domestic capital markets. We believe that by adhering to prudent cost management, we will be able to utilize our working capital more efficiently and maintain healthy profit margins.

Recent Developments

Land Acquisition

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

City	Location	The Group's equity interest	Planned Total GFA	Attributable GFA
		(%)	*(sq.m.)*	*(sq.m.)*
Fuzhou	Baoshui Avenue, Chongren County, Fuzhou	85	161,343	137,142
Nanchang . . .	East of Fengling Road, Qinglan New District, Jinxian County, Nanchang	100	84,044	84,044
Nanchang . . .	East of Fengling Road, Qinglan New District, Jinxian County, Nanchang	100	142,651	142,651
Nanchang . . .	Yingbin Avenue, Nanchang County, Nanchang	50	178,563	89,282
Taizhou	East of Qingnian Road, Hailing District, Taizhou	100	55,370	55,370
Nanjing	Nanjing Jiangbei New Area	33	260,144	86,783
Nanchang . . .	Wangcheng New District, Nanchang City	100	365,942	365,942

Revision of Annual Cap for Continuing Connected Transaction

On November 12, 2020, we entered into the property management related services supplemental agreement with Sinic Services Group Co., Ltd. (新力物業集團有限公司) (the "**Sinic Services**"), pursuant to which the maximum transaction amounts payable to Sinic Services in connection with the procurement of property management related services for 2020 is revised from RMB226.5 million (US$32.1 million) to RMB325.0 million (US$46.0 million).

Issuance of October 2021 Notes

On October 19, 2020, we issued 9.50% senior notes in an aggregate amount of US$250,000,000. The October 2021 Notes will mature on October 18, 2021.

Resignation of Executive Director, Change of Chief Executive Officer and Redesignation of Co-Chairman as Chairman

On September 7, 2020, Mr. Chen Kai has tendered his resignation as our Co-Chairman, the Chief Executive Officer and an executive director, with effect from October 1, 2020. On the same date, Mr. Zhang Yuanlin, our Co-Chairman and an executive director, has been appointed as the Chief Executive Officer and has been redesignated as Chairman with effect from October 1, 2020.

Approval from Shanghai Clearing House for the Issuance of Private Corporate Bonds

On June 9, 2020, we applied to Shanghai Clearing House for the issuance of the private corporate bonds. On July 19, 2020, Shanghai Clearing House approved our application to issue the private corporate bonds in the aggregate principal amount of RMB1,230 million (US$174.1 million).

The Recent Coronavirus Epidemic Outbreak

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

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it 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."

OUR BUSINESS

Overview

Since our inception in 2010, we have grown rapidly into a comprehensive real estate developer with presence in a number of provinces and cities across the PRC including but not limited to, Jiangxi Province, Huizhou, Guangdong Province and Wuhan, Hubei Province. We primarily develop quality residential properties under three main product series, namely, "Wan" Series (灣系), "Yuan" Series (園系) and "Yue" Series (悅系).

- *"Wan" Series (灣系):* Our Wan properties generally target first-time home buyers. Wan properties usually aim to offer a comfortable living environment through, among others, appealing landscaping, comprehensive ancillary facilities and quality product designs. Examples of such properties include Huizhou Dibo Wan, Wuhan Jinsha Wan and Nanchang Dibo Wan.

- *"Yuan" Series (園系):* Our Yuan properties generally target customers who are seeking to upgrade their homes. Yuan properties usually offer upgraded residential units or houses, with tasteful decorations and designs, well-rounded and upgraded ancillary facilities and community gardens or landscaping. Examples of such properties include our Huizhou Sinic City and Nanchang Dong Yuan.

- *Yue Series (悦系):* Our Yue properties generally target customers seeking a luxury living experience. Yue properties usually offer large living spaces, with first-class decorations and ancillary facilities and property management services. An example of such property is our Nanchang Ya Yuan Zhou Yue.

We also develop commercial properties, which include office buildings, hotel and others commercial complexes. Our commercial complexes usually comprise first-rate office buildings, multi-use apartments and/or shopping centers at different scales. Such commercial properties are generally integrated with or in the vicinity of our residential properties.

Classification of Our Properties

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 rights certificate 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 rights certificate, but have not obtained the requisite construction work commencement permits or (ii) we have signed a land grant contract for the underlying parcel of land with relevant government authorities, but have not obtained the relevant land use rights certificate.

As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories.

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

For projects or phases under development or for future development, the completion date reflects our best estimate based on our current development plans.

The site area information in this offering memorandum is derived on the following basis:

- when we have received the land use rights certificates, as specified in such land use rights certificates; and

- before we have received the land use rights certificates, as specified in the relevant land grant contracts related to the projects excluding, however, areas earmarked for public infrastructure such as roads and community recreation zones.

The total GFA information in this offering memorandum is derived on the following basis:

- for completed projects and phases, based upon relevant property completion certificate or property inspection report;

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

- for projects and phases that are held for future development, based upon the total estimated GFA indicated in property master plans or based on our internal records and development plans, which may be subject to change.

Total GFA as used in this offering memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA as used in this offering memorandum refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for security offices or club-houses, management offices and utility rooms for which pre-sales permits will not be issued. Saleable GFA as used in this offering memorandum refers to the internal floor areas exclusive of non-saleable GFA. Saleable GFA is further divided into saleable GFA pre-sold/sold and saleable GFA unsold. A property is pre-sold when we have executed the purchase agreement but not yet delivered to the customer. A property is considered sold when we have executed the purchase agreement with the customer and delivered the property to the customer.

Total saleable GFA is calculated as follows:

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

- for projects and 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 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.

The classification of our properties reflect the basis on which we operate our business and may differ from classification employed by other developers. Each property project or project phase may require multiple land use rights 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 different from classification of properties in Accountants' Report included elsewhere in this offering memorandum.

As of June 30, 2020, we had developed 138 property projects under various development stages, As of the same date, we had projects in four business regions in China. As of June 30, 2020, our property projects had an aggregate GFA attributable to us of approximately 15.3 million sq.m.

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 not yet delivered, (ii) total planned GFA for properties under development, (iii) total estimated GFA for properties held for future development. Total land bank attributable to us represents the total land bank of projects developed by our subsidiaries and the land bank attributable to us of projects developed by our joint ventures and associates.

The following table sets forth the breakdown of total land bank attributable to us of our property portfolio as of June 30, 2020 in terms of geographical location:

Region/City	Land use	Attributable GFA	% of total Land Bank
		sq.m.	*%*
Jiangxi Province			
Nanchang	Residential/Commercial	3,661,035	23.9
Ganzhou	Residential/Commercial	542,907	3.5
Jingdezhen	Residential/Commercial	225,341	1.5
Fuzhou	Residential/Commercial	199,511	1.3
Ji'an	Residential/Commercial	155,465	1.0
Others	Residential/Commercial	150,573	1.0
Sub-total		4,934,832	32.2
Greater Bay Region			
Huizhou	Residential/Commercial	4,037,392	26.4
Guangzhou	Residential	233,051	1.5
Zhuhai	Residential/Commercial	180,245	1.2
Shenzhen	Residential/Commercial	129,709	0.8
Zhongshan	Residential/Commercial	104,056	0.7
Qingyuan	Residential/Commercial	64,364	0.4
Sub-total		4,748,817	31.0
Yangtze River Delta Region			
Suzhou	Residential/Commercial	1,092,545	7.2
Wuxi	Residential/Commercial	510,652	3.3
Zhuji	Residential/Commercial	462,707	3.0
Hefei	Residential/Commercial	311,585	2.0
Hangzhou	Residential/Commercial	114,350	0.7
Wenzhou	Residential/Commercial	105,900	0.7
Xuzhou	Residential/Commercial	102,247	0.7
Ningbo	Residential/Commercial	97,871	0.6
Shanghai	Residential/Commercial	58,946	0.4
Others	Residential/Commercial	201,071	1.3
Sub-total		3,057,874	19.9
Central and Western China Core Cities and Other Regions with High-Growth Potential			
Changsha	Residential/Commercial	770,578	5.0
Wuhan	Residential/Commercial	621,307	4.1
Chengdu	Residential/Commercial	392,756	2.6
Fuzhou	Residential/Commercial	233,352	1.5
Ezhou	Residential/Commercial	144,651	0.9
Zigong	Residential/Commercial	122,714	0.8
Xiangyang	Residential	113,896	0.7
Others	Residential/Commercial	195,947	1.3
Sub-total		2,595,201	16.9

Region/City	Land use	Attributable GFA	% of total Land Bank
		sq.m.	*%*
Total		15,336,724	100.0%

In the first half of 2020, we actively continued to expand our land bank and acquired land parcels amounting to approximately 1,659,386 sq.m. in total as of June 30, 2020, consisting of land parcels in Jiangxi Province with an aggregate GFA attributed to us of approximately 782,537 sq.m., in Greater Bay Area with an aggregate GFA attributed to us of approximately 171,736 sq.m., in Yangtze River Delta region with an aggregate GFA attributed to us of approximately 489,363 sq.m., and in Central and Western China and other regions with an aggregate GFA attributed to us of approximately 215,750 sq.m. as of the same date.

As of June 30, 2020, approximately 12.0%, 2.0%, 66.0% and 20.0% of our total attributable GFA was located in New Tier-1 cities(1), Tier-1 cities, Tier-2 cities, and Tier-3 and other cities, respectively.

Note:

(1): New Tier-1 cities are deemed to include Chengdu, Chongqing, Nanjing, Suzhou, Hangzhou, Wuhan, Qingdao and Hefei.

OUR PROPERTY DEVELOPMENT OPERATIONS

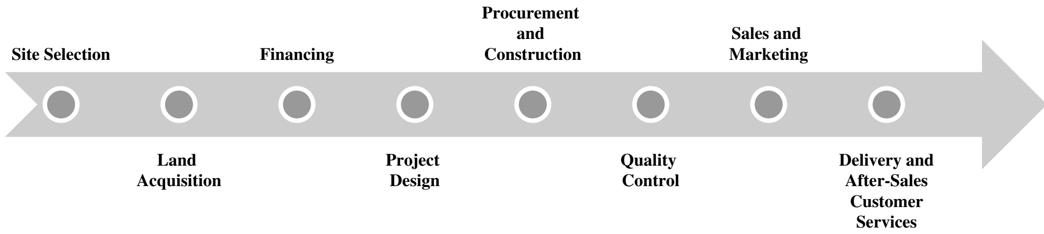
Property Development Management

We have established 15 functional departments at the Group level, namely, President's office, audit supervision center, strategic investment center, operations management center, product research and development center, financing management center, construction management center, cost management center, sales and marketing management center, client value center, human resources administration center, financial management center, brand management department, capital market department and legal affairs management center; and 11 regional companies at the local level, to manage our property development operations.

Property Development Process

Our success in property development is attributable to our standardized operating procedures, which enable us to plan and execute preparation work within required time frame for each development stage after acquiring the land and improve our overall operating efficiency. Through the utilization of our standardized operating procedures, we have been able to complete our property projects within approximately 21 to 29 months on average from obtaining the construction works commencement permits to obtaining the completion certificates. We formulate and modify the procedures based on our operational experience and needs and sometimes on a case-by-case basis. Such procedures set out the guidelines for our employees in managing and developing our property projects, and provide detailed timing and evaluation targets and checklists for different types of projects developed in different cities.

The diagram below summarizes the major stages of our property development process:



Note:

(1) The required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. The sequence of specific planning and execution activities may also vary among projects due to the requirement of local laws and regulations.

Site Selection

In terms of site selection for our property projects, we focus on suitable locations in Jiangxi Province, the Yangtze River Delta Region, the Greater Bay Region, the Central and Western China Core Cities and Other Regions with High-Growth Potential.

In selecting land parcels for acquisition, we primarily assess the land parcel through among others, studies of the economic and demographic conditions of the relevant district, city or province in which the land parcel is located assessment of the performance of the relevant property market and evaluation of the potential appreciation value of the land parcel. Our strategic investment center at the Group level is responsible for formulating our overall expansion strategies and plans, which include land acquisitions. Our selection process is generally led by our project company team, which is responsible for preparing an investment analysis report for internal teams' evaluation so the Group can make an informed decision about the investment opportunity. We devote a significant amount of management resources to the site selection process, which involves collaboration among and assessment by departments with different functions at different levels. Once an in-depth investment analysis report is available, strategic investment personnel at the Group level as well as personnel from different departments will participate in the evaluation and approval process to evaluate the investment opportunity. The results of such evaluation will then be submitted to general manager of core departments at the Group level to further review, and ultimately to our vice president and chairman of the Board for final approval.

We prudently carry out the site selection process in all projects with a strong focus on the quality and marketability. The factors we consider in assessing whether a site is suitable for development include, but are not limited to:

- the economic environment, population growth and development prospects;
- the relationship of volume and price of the local real estate market and the income level and purchase demand of target customers;
- basic fee standards for local taxes, design and cost;
- the central and local governments' industry policy and development strategies and relevant regulations;
- the economic environment and the physical and geological characteristics of the site, including historical features and natural landscape;

- any relevant ancillary facilities and other infrastructure in the areas surrounding the potential site, and transportation infrastructure; and

- the number and scale of potential competitors.

In terms of investment strategy, we generally follow our "1234" system in selecting and determining the land parcels for acquisition, which stands for "one map," "two strategies," "three levels of screening" and "four major indicators." Under the system, we primarily evaluate the city and/or district in which the land parcel is located by examining the economic factors, market potential and a number of other core indicators of the location using the available studies under "one (city) map" of the PRC market. We also aim to evaluate the land parcel by considering how well the potential project will meet our two strategic targets, which are helping us to expand our market presence in the relevant market and achieve high turnover. We conduct detailed analysis through three levels of screening which, as mentioned above, involve close assessment in terms of investment, finance and risk management. In addition, we also perform comprehensive and strict review of relevant financial and/or operational indicators on the potential projects from four key areas, including but not limited to, profitability, operational efficiency, sales cycle and design requirements.

Land Acquisition

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we obtained our land reserves primarily through the following methods:

- participation in public tender and listing-for-sale process;

- acquisition of equity interests in, or land parcels from, third parties which possess land parcels; and

- joint ventures with other property developers.

We select our land acquisition method based on prevailing market conditions and with the goal to control our land cost and manage related risks.

We employ standardized procedures with respect to our land acquisition work. For instance, we have established operating manuals that specify the detailed procedures and process to follow for each of the acquisition methods we choose to adopt. Guided by the procedures set out in our operating manuals, our project company teams, among others, prepare and complete required studies, analysis or application materials in accordance with specified timetable and detailed information requirements. Our standardized operating procedures provide an effective and consistent guidance on our project approval steps and help to ensure that we complete our internal evaluation process in an efficient manner.

Under the current PRC laws and regulations, land use rights for the purpose of commercial use, industrial use, tourism, entertainment and commodity housing developments must be granted by the government through public tender, auction and listing-for-sale. For further details of the applicable PRC laws and regulations relating to land acquisition, see the section headed "Regulation – Regulations on Real Estate Transfer and Sale." 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 rights certificate (if applicable, real estate right certificate) conferring land use rights. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for commercial, tourism and recreation purposes and 50 years for industrial and other purposes. We have designed and implemented various internal measures to help ensure our obtaining of the relevant land use rights certificates. Where the land parcels are obtained through public land tenders, auction and listing-for-sale, we strictly follow the relevant local government procedures with respect to the signing of land grant contract and making payment in accordance with such contract. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, none of our subsidiaries had experienced any material delays in making land premium payment pursuant to land grant contracts.

In addition to land acquisition through public tender, auction or listing-for-sale process, we acquire equity interests in, or land parcels from, companies that possess or have the rights to possess land use rights for certain land parcel. These methods allow us to obtain targeted land at competitive prices as it allows us to negotiate the terms and conditions directly with the targeted companies or the counter parties. Subsequent to the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, for the purpose of expanding our business, we have acquired or entered into agreements to acquire the equity interest of certain companies. Where the land parcels are obtained through acquisition of equity of or directly from third-party project companies, we generally employ procedures from two aspects with efforts to ensure that we obtain the relevant land use rights: we conduct legal and financial due diligence with regard to the ownership of land use rights of the third-party property developer before entering into the acquisition agreement with such party; and we usually set forth certain terms in the acquisition agreement as safeguards to help ensure the transfer of the land use rights, which may include, but not limited to, certain payment criteria before we make relevant acquisition payments under the agreement and/or indemnification or other terms that set out the liabilities for either party to fulfil their respective obligations under the agreement such as the transfer of land use rights.

Financing

We finance our projects primarily through internal cash flows including proceeds from the pre-sale of our properties, retained revenues, bank loans, trust financing, other borrowings and corporate bonds. Our financing management center is principally responsible for the financing of our property projects. We usually assess the required financing amount based on the financing purpose, the relevant property projects involved (if any) and the financing terms available to us. In selecting the financing method, we consider a number of factors, including but not limited to, financing amount and term, structure of the financing, financing terms such as interest rate, pledge or collateral required and related conditions and relevant risk management measures. In terms of process, financing plans are usually initiated by project companies and reported to responsible personnel at the Group level for approval. Once a financing plan is approved, the relevant project company carries out the required work to obtain the financing. As of June 30, 2020, our balance of bank loans and other borrowings, senior notes and corporate bonds amounted to RMB28,431.3 million (US$4,024.2 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness – Private Debt Financing" for more details. Since June 30, 2020, we have entered into additional financing agreements. See "Description of Other Material Indebtedness" for more details. See the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness" in this offering memorandum for details of our financing and indebtedness. We utilize a number of project financing methods, which include proceeds from sales of its properties, bank loans, trust financing and other arrangements, and corporate bonds. Pre-sales and sales of properties form an integral source of our operating cash inflows. We generally use the proceeds from sales of properties to fund part of its development costs, make interest payments and repay debt obligations. According to the applicable PRC laws and regulations, certain criteria need to be met before we can commence pre-sales or sales activities for properties under development. Please refer to the disclosures under "Business – Our Property Development Operations – Sales and Marketing – Pre-sale" for more details on the relevant procedures.

Bank loans are a primary source of our external financing. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our bank loans balance amounted to RMB6,073.6 million, RMB9,072.2 million, RMB11,373.6 million (US$1,609.9 million) and RMB12,572.1 million (US$1,779.5 million), respectively.

Our ability to obtain bank loans depends on a variety of factors, including but not limited to, general economic conditions, economic policies or measures adopted by the governmental authorities, bank's internal requirements or guidelines, and our borrowing or banking records with the bank.

In addition to bank loans, we have also entered into financing arrangements with trust companies, asset management companies and other financial institutions and factoring arrangements in our ordinary course of business to finance our project property development. Compared with bank loans, these financing arrangements may offer greater flexibility in certain cases in terms of cash availability and repayment requirements. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had such financings in the amount of RMB10,602.1 million, RMB12,438.5 million, RMB13,356.6 million (US$1,890.5 million) and RMB11,344.9 million (US$1,605.8 million), respectively.

We also issued two private corporate bonds in 2018 and one private corporate bonds in 2019 and one private corporate banks in 2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness – Corporate Bonds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness – Private Debt Financing" for more details. The issuance of corporate bonds and offshore private notes enabled us to diversify funding channels for our property development projects and extend our debt maturity profile.

Project Design

Our product research and development center at the Group level is primarily responsible for the product research and development of our property projects and standardized design work of our products and technical specifications. In addition, our product research and development team also monitors the implementation of our property projects through our standardized management process. We have developed a comprehensive standardization system with respect to the design of our residential products, which covers management from three aspects namely management standards, product standards and technical standards. From the management standard perspective, it includes the Group authorization manual as well as the management policies, specifications, and relevant management and control appendages of the product research and development center. We established our current management standardization documents in 2014 and refined them from time to time in order to satisfy our management and control requirements on our projects. With respect to the product standard, we have developed standardized manuals for our Wan series and Yuan series, which have a wide coverage of professional product modules including house type database, façade database, display area module database, scene module database, interior and landscaping. In 2019, we introduced "SINIC 4.0" products which were residential properties with a strong emphasis on quality design and residents' living comfort, which have been further upgraded to the "Sinic 5S healthy neighborhood" products in 2020. The residential properties offered under the "Sinic 5S healthy neighborhood" concept are designed with detailed standards for and attention to five main aspects of healthy community living, including design, building, living, customer service and after-sale service.

Our product research and development team at the relevant project companies is primarily responsible for the more detailed execution and modification of designs, including verifications of field construction, ensuring that problems encountered with proposed design during the construction are resolved in a timely manner.

In order to offer distinctive and quality designs, our product research and development teams work closely with domestic architecture and design firms, such as Shanghai Xinwaijian Construction Design and Consultancy Company Limited (上海新外建工程設計與顧問有限公司), Yijing (Shanghai) Construction Design Company Limited (意境(上海)建築設計有限公司), and Daiwen Construction Design (Shanghai) Company Limited (戴文工程設計(上海)有限公司).

We have received a number of awards relating to the designs of our property projects, including:

- 2019-2020 Aesthetics Vogue Awards – 4 Design Excellence Awards from Xunmei Technology and Dichanxian All Media Platform (尋美科技、地嚴線全媒體平台)

- 2018 China Real Estate Fengshang Prize for our Huizhou Sinic City for Annual Investment Value from Boao Real Estate Forum (博鼇房地產論壇);

- 2017 Asia International Human Habitat Model Gold Prize for our Nanchang Amber Yuan from China Real Estate Industry Research Institution (中國房地產業研究會), China Science of Human Settlements (中國人居環境研究中心), China Real Estate Industry Association (中國房地產業聯合會) and China Market Brand Appraisal Center (中國市場品牌測評中心);

- 2015 Jiangxi Real Estate Annual Prize for our Nanchang Dibo Wan from Jiangxi Real Estate Association (江西省房地產協會);

- 2015 Best Office Building Award for our Nanchang Sinic Center from National Real Estate Commercial Association (全國房地產商會聯盟) and Jiangxi Real Estate Association (江西省房地產協會); and

- 2013 National Scenic Garden Construction Project Silver Prize for our Nanchang Dibo Wan from China Garden Network (中國園林網).

Construction and Procurement

Appointment of third-party construction contractors

We outsource all of the construction work of our property development projects to qualified construction contractors.

We usually engage a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. We also engage specialized contractors in specific areas, such as landscaping and road construction. The contractors of our property developments are typically selected through an invite-only tender process. The tender process is managed by our cost management center at the Group level and cost control teams of respective city company, in accordance with our relevant procurement system. We conduct a number of due diligence procedures and only invite the contractors which have passed our due diligence checks to participate our tender. For certain specific projects, we hold interviews with core members of contractors and conduct in-depth review of their previous work experiences. We formulate and implement operating rules such as rules on purchase management system and cost control management system for our bidding process, and adopt a number of measures in our evaluation process. In addition, we establish and maintain an information system on the contractors that we work with and regularly update the information regarding their services.

We identify and establish long-term strategic relationship with certain quality general contractors who can meet our quality, time and cost management 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 the implementation of our standardized procedures.

General contractors and sub-contractors generally enter into a construction agreement with us based on a standard template provided by the relevant government authority. In general, the agreement is tailored in accordance with the specific requirements and needs of the contracted work of each project. Pursuant to such agreements, the general contractors and sub-contractors are obligated to undertake the entire construction work in strict compliance with the laws and regulations as well as our design specifications and time schedules. Under the typical agreements with our contractors, we make payments to contractors in stages according to progress of construction works. We do not make advance payments. The percentage of each stage payment varies from project to project according to the terms stipulated in the relevant contract. In general, we pay approximately 95% of the total contract price at settlement and after the completion of the project, while holding back the remaining approximately 5% of the total contract price for quality warranties purpose. 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. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we were not involved in any dispute with our contractors, nor were there any cases of material personal injury or death involving our contractors, that had a material adverse effect on our business.

Procurement

Our procurement activities fall into two categories: construction materials and equipment. Our construction contractors are generally responsible for procuring raw materials, notably steel and concrete. We are responsible for procuring certain building materials and equipment, such as doors, windows, kitchen appliances, directly from third-party suppliers through an invite-only tender process. For most of our projects, we generally invite bids from a list of qualified suppliers from our database to ensure quality. Our database collects information as to such suppliers, including quality of materials, pricing, reputation and track record of working with us, and is regularly updated by us.

To evaluate the bids, we consider a number of factors and standards from our operating rules on procurement management. Such factors include, among others, product and service quality, satisfaction of our product standard and technical standard suitability of the supplier to our potential property development project, brand and prices (as compared against the prevailing market standard and historical prices).

In addition, once a supplier is selected, we conduct follow-up and on-site visits with the supplier and even conduct limited supervision of production in some cases to ensure quality. We internally prepare evaluation reports as to how a supplier fulfills its contractual obligations and the reports are recorded into our database on the supplier for future use.

Most building construction materials, such as steel and cement, are procured by contractors we engage, although we typically designate the brands and quality requirements of these construction materials as part of our construction agreements. As a result, we will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, fluctuations in the construction raw materials did not exceed the relevant materiality threshold in the relevant agreements we had with our construction contractors. Nonetheless, as we typically pre-sell our properties prior to their completion, we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. See the section headed "Risk Factors – Risks Relating to Our Business – We may experience fluctuations in our construction costs."

Our construction materials are primarily purchased from suppliers in the PRC. Our cost management center and construction management center at our Group level and individual construction management teams at our project companies at the city level oversee the quality of each project development, conduct on-site inspection and pre-examine the construction materials before they are used in our property projects. For certain specialized building materials and equipment we procure on our own, we generally do not maintain construction materials inventory, but order these materials and equipment only on an as-needed basis. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we did not experience any shortage or delay in the supply of construction materials and equipment that had a material adverse effect on our business operation.

Quality Control

We place significant emphasis on quality control in the management of our property projects. Quality control begins with the selection of quality construction contractors and suppliers, and we have already established detailed protocols to ensure that the performance of the constructions and quality of materials are up to our standards. See "– Our Property Development Operations – Construction and Procurement" above for more details. We also perform due diligence and reviews in the selection of other service providers, such as external architectural and design firms, to help ensure the quality of services to us.

We have established a comprehensive set of standardized technical and quality control guidelines and/or operating rules that provide detailed requirements as to quality standards and specifications for all major aspects of our construction processes. We have technical and quality control guidelines and/or operating rules which cover areas such as procurement management, construction and property management and before-delivery check management. To implement these guidelines and operating rules, we conduct periodic assessment of our service providers and inspections of products and materials, as well as risk assessments on each project. In 2019, we received the "2019 China's TOP30 Investment Value Real Estate Enterprise" on Bo'ao Real Estate Forum China Real Estate Fengshang Prize. In 2019, we received an average engineering quality assessment score of approximately 82.0% based on quality assessments on our property projects conducted by a number of third-party engineering quality assessment agencies, including Shanghai Zhenchen Construction Consulting Management Co., Ltd., Shanghai Pingda Construction Management Co., Ltd. and Yangzhou Chenli Construction Project Management Consulting Co., Ltd.

Our Directors confirm that, during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, there were no non-compliance incidents relating to safety or accidents during the construction of our property projects that resulted in material injuries or fatalities of the construction workers. Our Directors further confirm that there was no material violation of currently applicable PRC labor and safety regulations nor were there any material employee safety issues involving our Group. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, no fines or penalties for non-compliance of the PRC labor and safety laws and regulations were imposed on us.

Sales and Marketing

Sales and marketing plan

We formulate and determine our sales and marketing strategies based on our careful studies of the local market in which our property project is situated and the preferences of our target customers. In this process, our sales and marketing teams at city companies prepare the relevant market studies that form the basis on which we evaluate and determine our sales and marketing strategies for any particular project. Before 2018, our sales and marketing teams at city companies led the efforts in formulating our sales and marketing strategies for property projects. Since 2018, we had changed to a more centralized approach under which our sales and marketing management center at the Group level took the leading role in determining our sales and marketing strategies. We believe that such change enables us to achieve greater cohesiveness in our sales across property projects in different regions and allowed us to better coordinate with local real estate sales agents. Our sales and marketing strategies are prepared in accordance with our standardized guidelines on sales and marketing to ensure consistency in terms of product positioning, promotional events, pricing and cost control on marketing expenses and management of local real estate agents for sales across our property projects.

Our approved sales and marketing strategies are carried out primarily by our sales and marketing teams at city companies as we rely on our own sales and marketing teams for property sales. Our own sales and marketing teams at city companies also provide valuable reports and feedback about the response from local markets to our sales campaigns, market trends, changes in customer tastes and other valuable information, which help us to further modify and optimize our sales and marketing strategies. In addition, our sales and marketing teams are well-positioned to work with local real estate agents to manage our property sales and ensuring that the sales process align with our overall sales and marketing strategies. We usually consider a number of factors in determining the sales commission rates, including but not limited to, (i) the number of external real estate agents assigned to the property for sales or marketing-related work, (ii) the contracted sales value achieved by the external real estate agents, where the agent receives a higher commission rate as it exceeds certain pre-agreed sales targets for the property based on a progressive scale under certain contracts, (iii) the competitiveness among comparable properties for sale in the local market, and (iv) the general market trend for sales commission for external real estate agents. In terms of sales and marketing costs, in 2017, 2018 and 2019 and the first half of 2020, our selling and distribution expenses were RMB458.4 million, RMB657.6 million and RMB1,076.7 million (US$152.4 million) and RMB366.0 million (US$51.8 million), respectively.

Our marketing efforts generally begin in the early stage of a property project to ensure that our property development are well positioned and priced by providing relevant local market information, including pricing information, customer preferences and estimated sales trends, in our assessment reports to internal teams for evaluation. When our marketing teams carry out our overall marketing strategies formulated and approved by the Group, they may also tailor certain aspects of the marketing strategies to suit the conditions of local property market. In doing so, our marketing teams continue to adjust the marketing strategies based on customer preferences in a timely manner and effectively increase our brand awareness and customer satisfaction.

Our sales efforts are result-oriented and managed through a data-based system that records and evaluates the sales results of our sales teams at different city companies in a competition-like format. We incentivize our sales teams with performance-based bonuses. Our sales efforts are measured by various indicators used at different stages or aspects of the sales process, such as the rate at which sales contracts are signed for a particular project, the rate of introduction of potential new customer by existing customers and the cash collection rate. Project companies at the local level also regularly review such indicators and adjust them based on certain market factors, such as changes in market sales trend and local economies, to allow for a more reasonable and fair assessment of our sales results. Those indicators help provide valuable feedback on our sales and marketing efforts and allow us to effectively track and assess our sales performance. Throughout the sales process, we strictly implement our standardized sales procedures which provide detailed and well-established procedures for each stage of the process, and set forth quantifiable sales targets and specific goals that are designed to evaluate and ensure customer satisfaction. We also employ a variety of evaluation measures to further monitor or manage our sales efforts, including but not limited to, secret customer visits, on-topic trainings for our sales staff and internal sales ranking announcements.

Pre-sale

In line with the applicable laws and regulations of the PRC, we usually commence pre-sales of a property development project before completion of the entire project but after we have received the pre-sale permits for the project. Relevant PRC laws and regulations require property developers to fulfill certain conditions, including but not limited to payment of the land grant premium and obtaining the relevant land use rights certificate, planning permit on land for construction use, construction works planning permit, construction works commencement permit and pre-sale permit before the commencement of pre-sales. See the section headed "Regulation – Regulations on Real Estate Transfer and Sale" for further details of the laws and regulations governing pre-sale. Leveraging our experienced staff and brand name, we have built a successful sales track record and continued to break our internal record in relevant markets in the PRC. In 2020, one of our projects in Huizhou was able to commence pre-sale within half a day after obtaining the relevant pre-sales permit and achieved high level of subscription rates for the property. We must fulfill certain conditions before we can obtain the pre-sale permits, including but not limited to:

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

Our pre-sale contracts are prepared in accordance with applicable PRC laws and regulations. Purchasers are typically required to make a down-payment according to the schedule stipulated in the pre-sale contract. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sale with the relevant government authorities and provide quality warranties on the properties we construct or sell to our customers for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts, being generally one to five years. As of the date of this offering memorandum, we had been subject to fines by the government authorities in relation to our pre-sales proceeds. See the section headed "Risk Factors – Risks Relating to Our Business – We are exposed to contractual and legal risks related to pre-sales" for further details regarding the associated risks.

Cancelled contracted sales are sales transactions cancelled after the down-payment and the signing of pre-sale contracts. Such incidents are rare. In the event that a sales contract is cancelled, down-payment paid to us is not refundable to the customer unless we have defaulted under certain terms of the relevant sales and purchase contract. Our Directors further confirm that any cancelled contracted sales did not have a material adverse effect on our financial condition.

Pricing

With respect to pricing of our properties, we determine our per-unit sales price with reference to the applicable local laws and regulations, the sales price of comparable properties in the local market, market conditions and our development costs. We also add a premium to the price based on our target rate of return and overall sales target for each product.

Due to the highly competitive and evolving nature of the real estate industry in China, we are required to constantly monitor the changing market conditions and changes to applicable laws and regulations, and adjust the sales prices of our property projects as appropriate. Our project management teams at the local level, with the assistance from other departments at the local level, such as cost management department, finance department, sales and marketing department and operations department, and oversight from our management teams at the city and Group levels, are generally responsible for formulating the sales prices for our properties. We take a number of factors into consideration in determining the sales prices of our properties, including but not limited to, product line, GFA of the property offered, neighborhood in which the property is located, sales prices for comparable properties and community landscape surrounding the property. In addition, we conduct quarterly reviews of the sales prices of all of our property projects and make adjustments as appropriate. Any downward price adjustments require approvals from our sales and marketing management center at the Group level and our Chairman. Any upward price adjustments require approvals from the general manager at the relevant city company.

In addition, as part of our pricing and sales strategy, we offer certain incentives to our employees or certain existing property owners as well as new buyers, where the new buyers who purchase our properties are introduced by our employee or existing property owners. For example, for our Sinic City property, the employee or exiting property owner and the new buyer receive awards or a discount on the new property when the new buyer enter into purchase contract with us. We believe that such offers were effective in attracting potential customers and improving our profitability in general and we consider that the discounts granted or incentives awards were in line with the then prevailing market practice.

Payment arrangement

Our customers may choose to pay the purchase price of our properties by one lump sum payment or by mortgage financing. Customers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales contract. Customers choosing to settle the purchase price of residential properties by mortgage financing shall, according to the terms stipulated in the relevant sales contract, normally pay a down-payment of not less than 30% of the purchase price upon the execution of the sales contract. Depending on the processing time required by mortgagee banks, the balance of the purchase prices will typically be paid by the mortgagee banks shortly after the date of execution of the sales contracts.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and where required, provide the banks with guarantees for our customers as security for mortgage loans. We do not conduct independent credit checks and due diligence as to our purchaser's credit history when providing guarantees but instead rely on the credit checks conducted by the mortgagee banks or other acceptable credit agencies. 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. Before the building ownership certificate is transferred to the purchaser, the purchaser generally makes the pre-mortgage registration for the property according to the loan agreement. If the purchaser defaults in payment and after all collection means are exhausted by the mortgagee bank, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan and have the right to claim such amount from the defaulting purchaser. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding guarantees in respect of the mortgages for purchasers of our properties amounted to RMB9,059.1 million, RMB27,465.9 million, RMB27,964.7 million (US$3,958.1 million) and RMB29,906.4 million (US$4,233.0 million), respectively.

Moreover, if a customer default on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require us to repay the defaulted amount pursuant to the guarantee after all collection means are exhausted by the mortgage bank, and we also have the right to offset the defaulted amount with the relevant payments the purchaser has made with us according to 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, which we can resell to other purchasers. 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. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we did not experience any material defaults by our purchasers on their mortgage loans that would materially and adversely affect our business. Also see "Risk Factors – Risks Relating to Our Business – We guarantee the mortgage loans provided by financial institutions to our customers and, consequently, we are liable to the mortgagees if our customers default" in this offering memorandum.

Delivery of Properties and After-Sale Customer Service

Delivery of completed properties

We endeavor to deliver completed properties to our customers on a timely basis in accordance with the terms of the sales contracts. We closely monitor the progress of construction work at our projects under development. If we fail to deliver the completed properties within the stipulated time frame due to our default, we may be liable to pay a certain percentage of the purchase price as penalty in accordance with the terms of the relevant sales contracts. Under current PRC laws and regulations, we are required to obtain completion certificates before delivering properties to our customers. Our Directors confirm that, during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we had not experienced any significant delays in the completion of our property projects which had any material adverse impact on our business, financial condition and results of operations.

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). In addition, we also provide quality warranties, if applicable, usually for a period for two years for certain fitting and fixtures and five years for certain waterproof fitting and fixtures, according to the published national standards. 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 sales contracts. We do not provide warranties with respect to defects caused by third parties or improper use or 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 the warranties.

In general, customers may return properties in circumstances where there are material delays of the property which exceed the periods stipulated in the relevant sales contracts, material quality defects that are tested as unqualified by relevant and qualified testing organizations, such as foundation and main structure of our properties.

We closely monitor the progress of the construction of our property projects and conduct pre-delivery property inspections to help ensure the timely delivery of our properties. Our quality control personnel at the city level inspect the properties before delivery to ensure that our quality standards have been met. In addition to conducting quality checks, we also examine the properties from the customer's point of view to prevent potential delivery issues. After a property development project has passed the requisite completion and acceptance inspections, we will notify our customers before the delivery date stipulated in the sale contracts, to arrange the delivery procedures.

Our customers will then come to our designated locations to conduct the delivery procedure with us. We may also assist our customers to obtain the individual building ownership certificates for our properties at our customers' expense. We may also be liable to compensate our customers for any delay in the delivery of properties. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we did not experience any significant delays in the completion of our property development projects or delivery of relevant title documents after sale during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020.

After-sales services

Our client value center at the Group level and customer relations departments at the city company level are responsible for providing after-sale assistance to our customers. Our after-sales services are offered under our "360 Happiness" brand of customer service, which centers on delivering a well-rounded and satisfying customer experience, and includes a customer service hotline, repair services, handling of customer complaints and after-sales follow-up activities. We believe that our customer-centered services help us to foster a stable relationship with our customers, build customer loyalty, enhance brand awareness and better solicit timely customer feedbacks.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we were not aware of any material complaints or product liability claims from our customers.

Our Other Businesses

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we also derived a small portion of revenue from other business, which primarily include revenue from provisions of consulting services to Independent Third Parties in connection with the development of certain property projects and, to a lesser extent, rental income of operating and leasing our investment properties. In 2017, 2018 and 2019 and the first half of 2019 and 2020, revenue from our provision of project management and other consulting services amounted to RMB9.4 million, RMB23.6 million, RMB169.3 million (US$24.0 million), RMB56.6 million and RMB288.5 million (US$40.8 million), respectively, representing 0.2%, 0.3%, 0.6%, 0.3% and 3.3% of our total revenue for the same periods, respectively. For the same periods, we recognized rental income from investment properties in the amount of RMB1.2 million, RMB2.8 million, RMB9.1 million (US$1.3 million), RMB6.0 million and RMB4.5 million (US$0.8 million), respectively.

INVESTMENT PROPERTIES

Our Investment Properties

In line with our business expansion strategy, we hold and operate a portion of our investment properties for long-term investment. We hold such investment properties for capital appreciation and rental income. We developed our investment properties to increase our brand recognition and enhance the value of the residential properties to which they are connected.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we leased a small portion of the investment properties developed near or within our residential property developments which had not been sold. For investment properties which are currently under development or to be developed, we intend to retain them to generate rental income and enjoy the benefit if any appreciation in property value. As of June 30, 2020, we had 14 investment property projects with an aggregate GFA attributable to us of approximately 371,157.5 sq.m. See "– Our Business – Description of Projects." for more details.

Although we currently focus on the development of residential properties for sale, we intend to continue to develop our investment property portfolio in response to changing market conditions and customer demand in the future.

LEASED PROPERTIES FOR SELF-USE

As of June 30, 2020, we leased a number of properties which we occupied for our own use. Our leases generally have a term ranging from one 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 a small number of the lease agreements under which we are the tenant. We sought cooperation from the landlords at the leased properties to register such executed lease agreements. Registration of lease agreements requires the submission of certain documents of landlords, including their identity documentation and property ownership certificates, to the relevant authorities and therefore the registration is subject to cooperation of landlords which is not within our control. Our PRC Legal Advisor has advised us that the lack of registration will not affect the validity and enforceability of these lease agreements. However, the relevant government authorities may require us to rectify these unregistered lease agreements within a certain period of time and, if we fail to so rectify, impose a fine of up to RMB10,000 for each unregistered lease agreement. See "Risk Factors – Risks Relating to Our Business – We may be subject to fines due to the lack of registration of our leases."

SUPPLIERS AND CUSTOMERS

Suppliers

In 2017, 2018 and 2019 and the first half of 2020, our five largest suppliers, primarily comprising construction contractors, accounted for 62.0%, 52.7% and 34.3% of our cost of sales, respectively, and our single largest supplier accounted for 41.2%, 29.8% and 17.2% of our total costs of sales during the years ended December 31, 2017, 2018 and 2019, respectively. None of our top five suppliers during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020 was our customer.

The credit terms that we have with our top five suppliers are generally the same as those we have with our other general and sub-contractors. For more details, see "Business – Our Property Development Operations – Construction and Procurement – Appointment of third-party construction contractors."

Customers

We primarily target customers who are looking to purchase their first home or to upgrade their living environment.

AWARDS AND RECOGNITIONS

Over the past years, we have received recognition from various industry associations, government authorities and the public. The table below sets out certain of the awards we received in respect of our property development business:

Year	Award/Recognition	Awarding Body
2020	Top 30 in 2020 China Top 100 Real Estate Developers (2020年度中國房地產百強企業30強)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組) and China Index Academy (中國指數研究院)
2020	China's Top 100 Real Estate Developers – Growth Top 6 (中國房地產百強企業 – 成長性Top 6)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組) and China Index Academy (中國指數研究院)

Year	Award/Recognition	Awarding Body
2020	Excellent Real Estate Enterprise Operating with Chinese Characteristic Properties Outstanding Operation Enterprises – Ecological Properties (中國特色地產運營優秀企業 – 生態地產)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組) and China Index Academy (中國指數研究院)
2019	China's Top 50 Real Estate Developers No. 39 (中國房地產開發企業50強第39名)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2019	China's Top 100 Real Estate Developers – Growth Top 10 (中國房地產百強企業 – 成長性Top 10)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組)
2019	China Characteristic Properties Outstanding Operation Enterprises – Ecological Properties (中國特色地產運營優秀企業 – 生態地產)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組)
2019	China's Top 100 Real Estate Developers – Brand Value No. 38 (中國房地產企業品牌價值第38名)	China Real Estate News (中國房地產報社) and China Real Estate Network (中國房地產網)
2019	Enterprise of the Era at the 6th Global Chinese Real Estate Fashion Ceremony (第六屆全球華人不動產風尚盛典新力地產榮獲"時代企業")	ifeng.com (鳳凰網)
2018	China's Top 40 Real Estate Enterprises Brand Value (中國房地產企業品牌價值TOP 40)	Yihan Think Tank (億瀚智庫)
2018	China's Top 50 Real Estate Enterprises Comprehensive Strength (中國房地產企業綜合實力TOP 50)	Yihan Think Tank (億瀚智庫)
2018	China's Top 100 Real Estate Enterprises – Growth Top 10 (中國房地產百強企業 – 成長性Top 10)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組)
2018	China's Top 50 Real Estate Developers (中國房地產開發企業50強)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)

Year	Award/Recognition	Awarding Body
2018	China Characteristic Properties Outstanding Operation Enterprises – Ecological Properties (中國特色地產運營優秀企業 – 生態地產)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組)
2018	China Real Estate Gold Brick Award – 2018 Quality Property Comprehensive Award (中國地產金磚獎 – 2018年度品質地產綜合大獎)	Bo'Ao • 21st Century Real Estate Forum Committee (博鰲•21世紀房地產論壇組委會)
2018	China's Top 10 Real Estate Development Enterprises in Regional Operation (中國房地產開發企業區域運營十強)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2018	China Real Estate Fengshang Prize for Annual Investment Value – Sinic City (中國地產風尚大獎之2018中國年度投資價值典範項目 – 新力城)	Boao Real Estate Forum (博鰲房地產論壇)
2018	Best PRC Real Estate Enterprise to Work for (中國房地產最佳僱主企業)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2017	China's Top 100 Real Estate Development Enterprises (中國房地產開發企業100強)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2017	China Real Estate Development Enterprises Brand Value Top 10 in Central China (中國房地產開發企業品牌價值華中十強)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2017	China's Top 10 Real Estate Development Enterprises in Regional Operation (中國房地產開發企業區域運營十強)	China Real Estate Industry Association (中國房地產業協會), Shanghai Yiju Real Estate Research Institution (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)

Year	Award/Recognition	Awarding Body
2017	Asia International Human Habitat Model Gold Prize – Nanchang Amber Yuan (亞洲國際人居環境範例金獎 – 南昌琥珀園)	China Real Estate Industry Research Institution (中國房地產業研究會), China Science of Human Settlements (中國人居環境研究中心), China Real Estate Industry Association (中國房地產業聯合會) and China Market Brand Appraisal Center (中國市場品牌測評中心)
2016	China's Top 10 Real Estate Regional Enterprises Brand Value (中國房地產區域公司品牌價值十強)	China Real Estate TOP 10 Research Committee (中國房地產TOP10研究組)
2016	Central China's Top 10 Real Estate Enterprises Brand Value (中國中部房地產公司品牌價值十強)	Enterprises Research Institution of Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institution of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院)
2015	Jiangxi Real Estate Annual Prize – Nanchang Dibo Wan (江西地產年度名盤 – 南昌帝泊灣)	Jiangxi Real Estate Association (江西省地產協會)
2015	2015 Best Office Building Award – Nanchang Sinic Center (2015年最佳寫字樓 – 南昌新力中心)	National Real Estate Commercial Association (全國房地產商會聯盟) and Jiangxi Real Estate Association (江西省房地產協會)

COMPETITION

The PRC real estate industry is highly fragmented and competitive. As a leading comprehensive real estate developer in Jiangxi province, China, we primarily compete with domestic national comprehensive developers, regional developers and other developers with strategies that are similar to ours, which have business operations in the markets where we operate or intend to enter. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors.

In particular, most of the local property markets in Jiangxi Province, the Yangtze River Delta Region, the Greater Bay Region and the Central and Western China Core Cities and Other Regions with High-Growth Potential have been increasingly competitive in recent years. An increasing number of property developers from the PRC and overseas have entered the property development markets in the cities where we have operations or plan to have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and potentially less well-known brand recognition in these markets.

INTELLECTUAL PROPERTY

We place emphasis on developing and protecting our brand, "Sinic" (新力). We have built up our brand primarily through consistent delivery of high-quality properties to our customers. We will use all reasonable and proper measures to protect our proprietary rights with regard to intellectual property developed in the process of our business development. As of the date of this offering memorandum, we owned two trademarks and were granted the use of six trademarks, and owned four domain names which were registered in the PRC and one trademark which was registered in Hong Kong. In addition, we have registered the domain name of http://www.sinicdc.com/for the website of our Group on the Internet.

We rely to a certain extent on our brand name in marketing our properties but our business is otherwise not materially dependent on any intellectual property rights. We believe that we did not suffer from any infringement of our intellectual property rights by any third parties or violate any intellectual property rights of third parties during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020.

INSURANCE

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. We have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental Matters

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law《(中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law《(中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law《(中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects《(建設項目環境保護管理條例》). See the section headed "Regulation – Regulations on Environmental Protection" for details of these laws and regulations. Pursuant to these laws and regulations, upon completion of construction works, we are required to be examined by a third-party inspector designated by the relevant governmental authorities and are subject to governmental authorities' acceptance. Only property development projects which have passed such examination and acceptance can be delivered.

Under our typical construction contracts, we require our contractors to strictly comply with relevant environmental and safety laws and regulations. We inspect the construction sites regularly and require our contractors to immediately rectify any default or non-compliance identified.

In 2017, 2018 and 2019 and the first half of 2020, we incurred cost for compliance with applicable environmental rules and regulations. In 2017, 2018 and 2019 and the first half of 2020, we were fined the total amount of RMB14.7 million (US$2.1 million) for certain non-compliance incidents relating to violation of certain environmental regulations. We have paid such fines in full as of the date of this offering memorandum. See "– Legal Proceedings and Compliance – Compliance with Laws and Regulations – Non-compliance Incidents – Commencement of construction works prior to obtaining the requisite work permit/ approval" for more details. Our Directors expect that we will continue to incur compliance costs with respect to applicable environmental rules and regulations at a similar level.

As of the date of this offering memorandum, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our property development projects. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, no material fines or penalties were imposed on us for non-compliance of PRC environmental laws and regulations.

Social, Health and Work Safety

In respect of social responsibilities, in particular health, work safety and social insurance, we have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations.

We maintain social welfare insurance for our full-time employees in the PRC, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, in accordance with relevant PRC laws and regulations.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we did not encounter any material safety accident, there were no claims for personal or property damages and no compensation was paid to employees in respect of claims for personal or property damages related to safety accident.

EMPLOYEES

As of June 30, 2020, we had a total of 3,383 employees. Substantially all of our employees are located in the PRC. There had been no complaints or claims from employees that materially affected our operations during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020 and up to the date of this offering memorandum.

We believe that the successful implementation of our growth and business strategies relies on a team of experienced, motivated and well-trained managers and employees at all levels. We recruit employees, both through internal human resource personnel and external recruiters and recruiting platforms, from well-known universities, reputable property developer companies and large corporations in the PRC. Company provides our employees with orientation sessions, system trainings and specialized skill training on a regular basis.

We enter into individual employment contracts with our employees to cover matters such as wages, salaries, benefits and terms for termination. We generally formulate our employees' remuneration package to include a salary, bonus and various allowances. We determine salary levels based on each employee's qualification, position, seniority and periodic performance reviews. In our performance reviews, we mainly assess two main aspects of their performance, namely the value that the employee has created for our Group during the performance period and any other meaningful contributions that the employee has made to our Group. We adjust the benefit package based on the assessments from the performance reviews. In 2017, 2018 and 2019 and the first half of 2019 and 2020, we incurred employee benefit expense (including directors' and chief executives' remuneration) of RMB150.0 million, RMB252.4 million and RMB395,285 million (US$55.9 million), RMB149.5 million and RMB141.6 million (US$20.0 million), respectively.

During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020 and up to the date of this offering memorandum, there were no material disputes arising between the employee union and us.

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds. During the years ended December 31, 2017, 2018 and 2019 and the first half of 2020, we failed to make sufficient social insurance fund and housing provident fund contributions on certain occasions. We believe that the risks that the relevant subsidiaries will be subject to further administrative penalties for these non-compliance incidents are remote.

Out of an abundance of caution, however, as of December 2017, 2018 and 2019 and the first half of 2020, we made provisions for social security insurance in the amount of RMB5.4 million, RMB12.1 million, RMB29.7 million (US$4.2 million) and RMB6.0 million (US$0.8 million), respectively.

As of the date of this offering memorandum, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on our operations.

ONGOING LEGAL PROCEEDINGS

From time to time, we are involved in legal proceeding or disputes in the ordinary course of business, including contract disputes with purchasers of our properties. As of the date of this offering memorandum, we were involved in the following material legal dispute:

Dispute with a contractor

In April 2014, one of our PRC subsidiaries, Fengcheng Gantie entered into a construction contract with one of our contractors, Jiangxi Construction Group Co., Ltd. ("**Jiangxi Construction**"). In December 2017, Jiangxi Construction filed a lawsuit with Yichun City Intermediate People's Court in Jiangxi Province against Fengcheng Gantie, alleging that Fengcheng Gantie owed construction payments, overdue interests and other related damages in an aggregate amount of RMB38.8 million under the construction contract. In April 2018, Fengcheng Gantie filed a countersuit against Jiangxi Construction on the basis that Jiangxi Construction failed to meet the agreed construction schedule. On April 29, 2020, Fengcheng Gantie received a judgment from the Yichun City Intermediate People's Court in Jiangxi Province, which provided that, among others, Fengcheng Gantie shall pay approximately RMB35.8 million to Jiangxi Construction in construction payment and overdue interests. As of the date of this offering memorandum, the Higher People's Court of Jiangxi Province had dismissed the appeal made by Fengcheng Gantie and the judgment declared on April 29, 2020 was upheld. We made a provision for this lawsuit accordingly. As of June 30, 2020, the provision amount of approximately RMB3.3 million was calculated based on the agreed amount in dispute, which was approximately RMB1.9 million, plus accrued interest of approximately RMB1.4 million calculated by us based on the relevant advice from the external PRC counsel for this lawsuit.

Except as disclosed above, during the years ended December 31, 2017, 2018 and 2019 and the first half of 2020 and up to the date of this offering memorandum, we were not involved in any litigation, arbitration or administrative proceedings, claims or disputes which had a material adverse effect on our financial condition or results of operation.

This section sets forth a summary of the most significant PRC laws and regulations that affect our business, operations and the industry in which we operate.

LAWS AND REGULATIONS ON ESTABLISHMENT AND OPERATION OF FOREIGN INVESTED ENTERPRISES

Companies with limited liability and joint stock companies with limited liability established and operating in the PRC are governed by the Company Law of the PRC《 (中華人民共和國公司法 》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (中華人民共和國全國人大常委會) (the "**SCNPC**") on December 29, 1993 and was latest amended on October 26, 2018. According to the PRC Company Law, the shareholders of a limited liability company may transfer all or part of their equity interests among themselves, however the shareholder proposing to transfer any equity interests to a non-shareholder shall obtain the consent of more than half of the other shareholders. The shareholder shall inform the other shareholders of the proposed equity transfer in writing and seek their consent. Failure to reply within 30 days from receipt of the written notice shall be deemed as consent to the proposed transfer.

On March 15, 2019, the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**") was formally passed by the 13th National People's Congress and took effect on January 1, 2020. The Foreign Investment Law is the fundamental law for foreign investment in the PRC, which replaced the Law on Sino-Foreign Equity joint ventures (中華人民共和國中外合資經營企業法), the Law on Sino-Foreign Contractual Joint Ventures (中華人民共和國中外合作經營企業法) and the Wholly Foreign owned Enterprise Law (中華人民共和國外資企業法) as the general law applicable for the foreign investment within the PRC.

The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by foreign natural persons, enterprises or other organizations ("**Foreign Investor(s)**"), and specifically stipulates three forms of investment activities as foreign investments, namely, (a) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor and (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of pre-establishment national treatment plus negative list, foreign investment information report system and security review system. The said systems, together with other administrative measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

The Foreign Investment Law sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects Foreign Investors' investment, earnings and other legitimate rights and interests in the PRC.

The Foreign Investment Law further provides that foreign-invested enterprises established before the Foreign Investment Law coming into effect may retain their original form of organizations within five years after the Foreign Investment Law comes into effect. Specific implementing measures will be prescribed by the State Council.

The Implementing Regulation for the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), adopted at the 74th executive meeting of the State Council on December 12, 2019 which came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law of the PRC.

Furthermore, the MOFCOM and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法) on December 30, 2019, which came into effect on January 1, 2020 and replaced Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

On December 27, 2020, the Catalogue of Encouraged Industries for Foreign Investment (Edition 2020)(鼓勵外商投資產業目錄(2020年版)) (the "**Catalogue**") was promulgate by the NDRC and the MOFCOM, andentered into force from December 27, 2021. On June 30, 2019, the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition)《(鼓勵外商投資產業目錄(2019年版)》) (the "**Catalogue**") was promulgate by the NDRC and the MOFCOM, and entered into force from July 30, 2019. Encouraged foreign investment industries of the Catalog for the Guidance of Foreign Investment Industries (Revised in 2017)《(外商投資產業指導目錄(2017年修訂)》) released on June 28, 2017 and the Catalog of Priority Industries for Foreign Investment in the Central-Western Region (Revised in 2017) (《中西部地區外商投資優勢產業目錄(2017年修訂)》) released on February 17, 2017, were repealed simultaneously. On June 23, 2020, the Special Administrative Measures for the Admission of Foreign Investment (Negative List) (2020 Edition)《(外商投資准入特別管理措施(負面清單)(2020年版)》) ("**Negative List 2020**") was promulgated by the NDRC and the MOFCOM, and entered into force from July 23, 2019. The Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition)《(外商投資准入特別管理措施(負面清單)(2018年版)》) released on June 28, 2018, was repealed simultaneously. The Catalogue and Negative List 2019 stipulated in detail the areas of entry pertaining to the categories of encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. Any industry not listed in the Catalogue or Negative List 2019 is a permitted industry.

REGULATIONS ON THE ESTABLISHMENT OF REAL ESTATE ENTERPRISES

Establishment of a Real Estate Development Enterprise

According to the Law of the People's Republic of China on Urban Real Estate Administration (中華人民共和國城市房地產管理法) (the "**Urban Real Estate Law**") promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995, and recently amended on August 26, 2019 and effective on January 1, 2020, a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development and Operation of Urban Real Estate (城市房地產開發經營管理條例) (the "**Development Regulations**") promulgated and implemented by the State Council on July 20, 1998, and amended on January 8, 2011, March 19, 2018 and 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 requirements: 1) its registered capital shall be RMB1 million or above; and 2) it shall have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The

Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

However, the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council on May 25, 2009 has reduced the requirement on the minimum capital for Social Welfare Housing and general commercial residence from 35% to 20%, while the requirement on the minimum capital for other real estate projects has been reduced to 30%. Under the Notice on Adjusting and Perfecting the Capital System for Fixed Assets Investment (國務院關於調整和完善固定資產投資項目資本金制度的通知) issued by the State Council on September 9, 2015, the minimum portion of capital for Social Welfare Housing and general commercial residence maintained at 20%, while the minimum portion of capital for other real estate projects has been reduced from 30% to 25%.

In November, 2019, the State Council issued the Notice on Enhancing the Administration of Capital Fund for Investment Projects in Fixed Assets (關於加強固定資產投資項目資本金管理的通知), pursuant to which the minimum capital requirement for projects of port, coastal and inland river navigation projects was adjusted from 25% to 20%, whereas the minimum capital requirement for other projects, including property projects, remained unchanged. The capital for investment project should be non-debt capital and the project entity shall not be liable for any debt or interest arising from such capital.

Foreign-Invested Real Estate Enterprises

Pursuant to the Catalogue and the Negative List, the foreign investment related to real estate development falls within the category of industries in which foreign investment is permitted. The Negative List enumerates the restricted industries and the prohibited industries in relation to foreign investment, and the industries such as real estate development industry which do not fall within the Negative List, shall be administered under the principle of equal treatment to domestic and foreign investment.

On July 11, 2006, the Ministry of Construction (中華人民共和國建設部), the MOFCOM, the NDRC, the People's Bank of China (中國人民銀行) (the "**PBOC**"), the State Administration for Industry and Commerce (國家工商行政管理總局) (the "**SAIC**") and the State Administration of Foreign Exchange (國家外匯管理局) (the "**SAFE**") jointly promulgated Opinions on Regulating the Market Access and Administration of Foreign Investment in the Real Estate (關於規範房地產市場外資准入和管理的意見), which provides, that: (i) foreign organizations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase not-for-self-use real estate in China; while branches of foreign organizations established in China are eligible to purchase commercial houses which match their actual needs for self-use under their names; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only after they have paid back all the land premium and obtained the state-owned land use rights certificate; (iv) with respect to equity transfer and project transfer of a foreign-invested real estate enterprise and the merger and acquisition of a domestic real estate enterprise by an overseas investor, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant laws, regulations, and policies.

On August 19, 2015, Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) ("**MOHURD**"), the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated Circular on Amending the Policies Concerning Access and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知) (the "**Circular**"). Pursuant to the Circular, the ratio of registered capital to total investment of foreign invested real estate companies shall be subject to the Tentative Regulations of the State Administration for Industry and Commerce on the Proportion of the Registered Capital to the Total Amount of Investment of 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) that a foreign invested real estate company must fully pay its registered capital before applying for domestic or foreign loans, or settlement of foreign exchange loans has been canceled.

Qualification of a Real Estate Developer

Under the Development Regulations, a real estate developer must file its establishment to competent department of real estate development of the place where the registration authority is located within 30 days from the date of obtaining the business license. The real estate development authorities shall examine applications for classification of a real estate developer's qualification by considering its assets, professional personnel and industrial achievements. A real estate enterprise shall only engage in real estate development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualifications of Real Estate Development Enterprises (房地產開發企業資質管理規定) (the "**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction and implemented on March 29, 2000 and amended on May 4, 2015 and December 22, 2018, a real estate developer shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development.

The Provisional Qualification Certificate is effective for 1 year from its issuance while the real estate development authority may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer shall apply for qualification classification by the real estate development authority within 1 month before the expiry of the Provisional Qualification Certificate.

REGULATION ON LAND AND THE DEVELOPMENT OF REAL ESTATE PROJECTS

Land Grants

On April 12, 1988, the National People's Congress of China (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. The Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated by the SCNPC on June 25, 1986, and last amended on August 28, 2004, also permits the transfer of land use rights.

Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land-Use Rights of State-Owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Provisional Regulations on Grant and Transfer**") promulgated by the State Council on May 19, 1990, a system of grant and transfer of the right to use State-owned land is adopted. A land user shall pay land premium to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user to provide for the grant of land-use rights. The land user shall pay the land premium as provided by the assignment contract. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land-use rights. The Development Regulations provide that the land-use right for a land parcel intended for real estate development shall be obtained through grant except for land-use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Regulations on the Grant of State-Owned Land-Use Rights by Way of Tendering, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the Ministry of Land and Resources (中華人民共和國國土資源部) (the "**MLR**") on May 9, 2002 and implemented on July 1, 2002 and revised on September 28, 2007 by Regulations on the Grant of State-Owned Construction Land-Use Rights by Way of Tendering, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) effective on November 1, 2007 (the "**Land Grant Regulations**"), 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 MLR promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tendering, Auction and Listing-for-Sale (國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides stipulations to improve policies on the supply of land through public tendering, auction and listing-for-sale, and strengthen the active role of land transfer policy in the control of the real estate market.

On June 11, 2003, the MLR promulgated the Regulations on the Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to this regulation, if there is only one party interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism, entertainment and commodity residential properties) may be assigned by way of agreement. If two or more parties are interested in the land use rights to be assigned, such land use rights shall be granted by means of tendering, auction and listing-for-sale.

According to the Standard for Terminology of Civil Architectural Design (民用建築設計術語標準) (GB/T 50504-2009) promulgated by the MOHURD on May 13, 2009 and implemented on December 1, 2009, the definition of villa is an independent low-rise house with private garden.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Project (2012 Edition) (關於印發〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知) promulgated by the MLR and the NDRC on May 23, 2012, the granted area of the residential housing projects should not exceed (i) seven 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 is not lower than 1.0.

On September 28, 2007, MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale《(招標拍賣掛牌出讓國有建設用地使用權規定》) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of State-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by MLR, Ministry of Finance (the "**MOF**"), the PBOC and the China Banking Regulatory Commission (the "**CBRC**") on January 3, 2018, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the planning, standard, development, management and protect, supply and capital expenditure of reserved land.

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

In November 2009, MOF, MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

In March 2010, MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development《(國土資源部關於加強房地產用地供應和監管有關問題的通知》) (the "**Notification**") which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

On September 21, 2010, MLR and MOHURD jointly released the Circular on Further Strengthening Administration and Control over Land Utilization and Construction of Real Estate《(關於進一步加強房地產用地和建設管理調控的通知》) to tighten the examination of qualifications of land bidders. The circular specifies that when a bidder takes part in the bidding, auction or listing of the granted land, the competent department of land and resources shall, in addition to requiring effective certificate of identity and payment of the tender (bid) deposit, require an undertaking letter stating that the tender (bid) deposit is not sourced from any bank loan, shareholders' borrowing, on-lending or fundraising as well as a credit certificate issued by a commercial financial institution. Where a bidder is found to have violated the laws, regulations or contracts as follows, the competent department of land and resources shall forbid the bidder and his controlling shareholders from participating in land bidding activities: (1) having land idle for more than one year due to its own reasons; (2) illegal transfer of land use rights; (3) noncompliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation. Besides, the grant of two or more bundled land parcels or uncleared lands is prohibited. The Civil Code of the People's Republic of China《中華人民共和國民法典》(the "**Civil Code**") was issued in May 2020 and became effective on January 2021. According to the Civil Code, when the term of the rights to use construction land for residential (but not other) property purposes expires, it will be renewed automatically. The PRC Property Rights Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

Land Transfer from Current Land Users

According to Provisional Regulations on Grant and Transfer, An investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an land use rights assignment contract. For property development projects, the Urban Real Estate Law requires that at least 25% of total amount of investment or development must have been made or completed before assignment can take place.

Development of a Real Estate Project

Commencement of real estate project and regulations with respect to idle land

Under the Urban Real Estate Law, those who have been granted the land use rights must develop the land in accordance with the use and construction period as prescribed by the land use rights grant contract. Pursuant to the Measures on Disposal of Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, amended on June 1, 2012 and implemented on July 1, 2012, the land can be defined as idle land under any of the following circumstances:

(1) development and construction of the state-owned idle land is not commenced after one year of the prescribed time limit in the land use rights grant contract or allocation decision; or

(2) the development and construction of the state-owned idle land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

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

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

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (《國務院關於促進節約集約用地的通知》) (Guo Fa (2008) No. 3), which seeks to:

- Examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use. Project designs, construction and approval of construction shall all be subject to stringent land use standards.

- Urge all localities to enforce policies for the disposal of idle land. Where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made; where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20 percent of the land assignment premium shall be levied on the land user.

- Vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space.

- Strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes. Where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium.

- Make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas. Strictly prohibit unauthorized conversion of agricultural land into construction land.

- Strengthen supervision and inspection of intensive land use conservation.

- Discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

Planning of a real estate project

Under the Regulation on Planning Administration regarding Granting and Transfer of State-Owned Land Use Rights 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 construction land planning permit (建設用地規劃許可證) from the municipal planning authority. The SCNPC promulgated the Urban and Rural Planning Law of PRC (中華人民共和國城鄉規劃法) on October 28, 2007, and amended on April 24, 2015 and April 23, 2019, pursuant to which, a construction work planning permit (建設工程規劃許可證) must be obtained from relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In November 2009, MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (《住房和城鄉建設部關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知》) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

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

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

- compensation shall be paid before the resettlement;

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

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

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

Construction work commencement permit

After obtaining the construction work planning permit, a real estate developer shall apply for a construction work commencement permit (建築工程施工許可證) from the construction authority under the local people's government at the county level or above in accordance with the Measures for the Administration of Construction Permit for Construction Projects (建築工程施工許可管理辦法) promulgated by MOHURD on June 25, 2014, implemented on October 25, 2014 and newly amended on September 28, 2018.

The Notice Regarding the Strengthening and Regulation of the Management of New Projects (《關於加強和規範新開工項目管理的通知》), promulgated by the General Office of the State Council on November 17, 2007, strictly regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, and strengthens the statistics and information management while intensifying the supervision and inspection of new projects.

According to the Notice on Further Enhancing the Building Permits Administration for Construction Projects (《關於進一步加強建築工程施工許可管理工作的通知》) issued by MOHURD on September 4, 2014 and revised on September 30, 2018, when applying for the construction permit, a construction entity shall provide the commitment letter for the implementation of construction funds and shall not provide false promises.

Inspection upon completion of real estate project

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

In accordance with the Development Regulations, the Administrative Measures for Filing Regarding Completion and Acceptance of Buildings and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by MOHURD on April 7, 2000 and amended on October 19, 2009 and the Rules for Completion and Acceptance of Buildings and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by MOHURD implemented on December 2, 2013, after the completion of construction of a project, the real estate development enterprise must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities.

REGULATIONS ON REAL ESTATE TRANSFER AND SALE

Sale of Commodity Buildings

Under the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法) (the "**Regulatory Measures**") promulgated by the Ministry of Construction on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

Permit of Pre-sale of Commodity Buildings

According to the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the "**Pre-sale Measures**") promulgated by the Ministry of Construction on November 15, 1994 and amended on August 15, 2001 and July 20, 2004 respectively, any pre-sale of commodity buildings is subject to specified procedures. If a real estate development enterprise intends to sell commodity buildings in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit.

According to the Pre-sale Measures, any real estate development enterprise shall submit the following certificates (photocopies) and materials for applying pre-sales permit:

(1) An application for pre-sale of commodity buildings;

(2) The business license and qualification certificate of the real estate development enterprise;

(3) The land use rights certificate, construction planning permit and construction commencement permit;

(4) A certification proves that the ratio between the construction fund and the total investment of the construction project meets the prescribed conditions;

(5) The project construction agreement and the explanations of the construction progress; and

(6) The plan on pre-sale of commodity buildings.

Under the Pre-sale Measures and the Urban Real Estate Law, the pre-sale proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

In addition, the Notice on Relevant Issues Concerning the Strengthening of Supervision and Improvement of the Pre-sales 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) promulgated by the MOHURD on April 13, 2010, provides that the proceeds from pre-sales of commodity buildings shall be fully deposited in a bank account supervised by the competent regulatory authorities to ensure the proceeds would be used for funding the projects of the property development.

Conditions of the Sale of Post-Completion Commodity Buildings

Under the Regulatory Measures, commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied:

(1) the real estate development enterprise shall have a business license and a qualification certificate of a real estate developer;

(2) the enterprise shall obtain a land use rights certificate or other approval documents for land use;

(3) the enterprise shall have the construction work planning permit and construction work commencement permit;

(4) the building shall have been completed, inspected and accepted as qualified;

(5) the relocation of the original residents shall have been well completed;

(6) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the schedule of construction and delivery date shall have been specified; and

(7) the real property management plan shall have been completed.

Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority.

According to the Regulations on Requisition of and Compensation for Buildings on State-owned Land (國有土地上房屋徵收與補償條例) promulgated and implemented on January 21, 2011 by the State Council, the building requisition authorities determined by municipal and county levels governments shall organize implementation of requisition of buildings and compensation within their administrative regions.

Notices on Accelerating a Stable and Healthy Development in the Real Estate Market

On January 7, 2010, the General Office of the State Council issued the Notice on Accelerating a Stable and Healthy Development in the Real Estate Market (關於促進房地產市場平穩健康發展的通知), which stipulates:

(1) Increase the effective supply of security housing and common commercial housing;

(2) Reasonably steer housing consumption and suppress speculative house purchasing demand;

(3) Strengthen risk prevention and market supervision; and

(4) Quicken the security comfort housing project construction.

According to the Guiding Opinions on Construction and Administration of Comfort Housing Project (關於保障性安居工程建設和管理的指導意見) promulgated by the General Office of the State Council on September 28, 2011, the comfort housing project includes public rental housing, affordable housing, price-restricted commodity housing, renovation of shantytowns and renovation of rural dilapidated housing.

On April 17, 2010, the State Council issued the Notice on Restraining Resolutely the Soaring of Housing Prices in Some Cities (關於堅決遏制部分城市房價過快上漲的通知), which requires that:

(1) Each district and each department practically implement their duty to stabilize property prices and residential housing guarantees; and

(2) Unreasonable housing demands should be strictly restricted and stricter differentiating credit policies should be implemented.

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 such provisions, any real estate developer or real estate agency (collectively, "**real estate operators**") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

On February 26, 2013, the General Office of the State Council issued the Notice on Further Improving Regulation of the Real Estate Market (關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures:

(1) Firmly restraining purchases of residential housing for investment and speculation purposes. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% individual income tax on home sale profits; and

(2) Expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years.

On September 24, 2015, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving the Relevant Issues concerning the Differential Housing Credit Policy (中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知), which provides that in cities where "property purchase control measures" are not implemented the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of the first ordinary residential property is adjusted to 25%.

According to 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 effective on the same date, and 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税政策的通知) promulgated by MOF and SAT on March 30, 2015 and effective on March 31, 2015, where a household, which has already owned a home 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%. 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. In addition, 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.

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

Notice on Adjusting the Preferential Policies on Deed Tax and Business Tax During Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知) was jointly promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016. The business tax policy subject to the notice are as follows: when an individual sells his/her house to an external party within the two-year period from the purchase, he/she shall pay the full amount of business tax; when an individual sells his/her house to an external party after two years (including the second anniversary) from the purchase, he/she is exempted from paying business tax.

In accordance with the Circular of the MOHURD and the MLR on Strengthening the Administration and Regulation of Recent Housing 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 the MOHURD and the MLR, in cities that have prominent contradictions between housing supply and demand or that face overheating markets, the supply of residential land, in particular those lands for ordinary commercial houses, shall be increased reasonably. In cities with heavy workloads of destock housing inventory, the supply of residential land shall be reduced or even suspended. All the local authorities shall build an inspection system to ensure that the real estate developers are using their own legal funds to purchase land.

Thirty one departments led by the National Development and Reform Commission, the People's Bank of China and the Ministry of Housing and Urban-Rural Development signed on the Memorandum of Understanding on Joint Punishment against Dishonest Entities in the Real Estate Industry (關於對房地產領域相關失信責任主體實施聯合懲戒的合作備忘錄) on June 23, 2017, pledging to jointly discipline entities conducting dishonest behaviors in real estate development and business activities as well their directly responsible staff. Punitive measures include but not limited to restricting entities subject to disciplinary actions to or prohibiting them from accessing to the market, obtaining the administrative license or soliciting funds according to the law, including restricting their obtaining of land supplied by the government, planning and location license for real estate development projects, the construction permits, the pre-sale permits or sale permits, and record-filing of the contracts for commodity house sales.

Pursuant to Notice of on the Regulation of Housing Financing and Strengthening Anti-Money Laundering (關於規範購房融資和加強反洗錢工作的通知) promulgated and implemented on September 29, 2017 by the Ministry of Housing and Urban-Rural Development, the People's Bank of China and the China Banking Regulatory Commission, real estate administration authorities shall list real estate developers that provide illegal financing including "down payment loan", conduct false valuation and provide false certificates on the list of real estate developers in serious violation of law which will be subject to intensive scrutiny in qualification certificate examination.

Mortgage on Real Estate

Under the Civil Code and the Measures on the Administration of Mortgages of Real Estate in Urban Areas (城市房地產抵押管理辦法) issued by the Ministry of Construction on May 9, 1997, effective on June 1, 1997 and amended on August 15, 2001, when a mortgage is created on a building legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of State-owned land acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be solely mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee shall sign a mortgage contract in writing.

Lease of Buildings

Pursuant to the Administrative Measures for Commodity Housing Leasing (商品房屋租賃管理辦法) promulgated on December 1, 2010 and effective as of February 1, 2011, the parties to a real estate lease shall apply for lease registration with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the lease contract is signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on enterprises when fail to make corrections within the specified time limit. The Leasing Measures came into effect as of February 1, 2011 and replaced the Measures for Administration of Leases of Property in Urban Areas (《城市房屋租賃管理辦法》).

Under the PRC Contract Law, the term of a leasing contract shall not exceed 20 years.

New Property Law

On March 16, 2007, the 5th Session of the 10th NPC adopted the New Property Law, which took effect on October 1, 2007.

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, enforced on March 1, 2015 and newly amended on March 24, 2019, and the Implementation 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 MLR on January 1, 2016 and newly 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 people.

REGULATIONS ON REAL ESTATE FINANCING

Financing Real Estate Development and Acquisition

Pursuant to the Guidance on Risk Management of Real Estate Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on August 30, 2004, any real estate developer applying for real estate development loans shall have at least 35 percent of capital required for the development.

On July 29, 2008, PBOC and CBRC jointly issued the Notice on Promoting Economical and Intensive Use of Land through Finance (關於金融促進節約集約用地的通知). Banks shall provide financial support preferentially to the projects with economical and intensive use of land, such as the development of low-rent housing, economically affordable housing, price-capped housing and small to medium-sized ordinary commercial housing with a total GFA of less than 90 sq.m. The banks are prohibited from granting loans to the property developers for payment of land premium. This notice emphasizes tightening the policy requirements and management of loans to certain projects, including:

(1) the management of loans for construction projects. The banks are prohibited from providing loans to (a) the projects which do not meet the relevant planning and control requirements, (b) the projects which have illegal land use and (c) the projects for which the relevant land falls into the catalog of banned land use projects. Where a loan has already been granted to such a project, it must be gradually recovered provided that necessary protection measures have been taken. A financial institution must exercise caution in granting a loan to the projects which falls into the catalog of restricted land use projects;

(2) the examination of loans for municipal infrastructures and industrial land use projects;

(3) the management of loans for rural collective construction land use projects. The banks are prohibited from providing loans to the commercial projects which use rural collective land; and

(4) the management of credit for commercial property development projects.

With respect to loans provided for land reservation in the form of mortgage, a land use rights certificate must be obtained. In addition, the maximum mortgage ratio must not exceed 70% of the appraised value of the underlying collateral and, in principle, the term of loan must not exceed two years. When the relevant land and resource authority confirms that an enterprise has developed less than 1/3 of the site area of land or has invested less than 1/4 of the total investment for the project or hasn't commenced the project after one year from the date of construction commencement as stipulated in the land grant contract, the banks must exercise caution in granting loans to the enterprise and strictly control extended loans or rolling credits to it. The banks restricts granting loans to the real estate developer whose land has been idle for more than two years.

On December 28, 2020, the PBOC and CBRC jointly issued the Notice on Establishing the Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which became effective on January 1, 2021. Pursuant to the notice, banking financial institutions are required to limit the ratio between their outstanding property loans and total RMB loans. The PBOC and CBRC set the limits in five different stages based on factors such as the asset sizes and types of banking financial institutions.

Trust Financing

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

From October 2008 to November 2010, the CBRC issued several regulatory notices in relation to real estate activities conducted by Trust Financing 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 effective beginning the same date, pursuant to which Trust Financing Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits and the property, projects of which less than 35% of the total investment is funded by the property developers' own capital (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).

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, (a) for a family member who is a first-time home buyer (including the debtors, their spouses and their juvenile children, similarly hereinafter) of the apartment with gross floor area more than 90 sq.m., a minimum 30% down payment shall be paid; (b) for a family who applies loans for its second house, the down payment requirement is raised to at least 50% from 40% and also provides that the applicable mortgage 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 (c) 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 are excessively high, rise excessively rapidly 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 implemented 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 home, 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 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 the PBOC and the CBRC on September 24, 2015, provides that in cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment shall be adjusted to 25% of the house price. The minimum down payment ratio for the commercial personal housing loan of each city will be independently determined by each provincial pricing self-disciplinary mechanism of market interest based on the actual situation of each city under the guidance of the 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 the PBOC and the CBRC on February 1, 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25% of the property price and each city could adjust such ratio downwards by 5%; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30% of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations, and the actual down payment ratio and loan interest rate shall be determined reasonably by the banking financial institutions based on the requirements of minimum down payment ratio determined by provincial pricing self-disciplinary mechanism of market interest, the loan-issuance policies and the risk control for commercial personal housing loan adopted by such banking financial institutions and other factors such as the borrower's credit record and capacity of repayment.

The Notice of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知), promulgated by the MOF and State Administration of Taxation on March 23, 2016 and implemented on May 1, 2016, provides that upon approval by the State Council, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. According to the appendix of this notice (銷售服務、無形資產、不動產註釋), entities and individuals engaging in the sale of services, intangible assets or real property within the territory of the People's Republic of China shall be the taxpayers of value-added tax ("**VAT**") and shall, instead of business tax, pay VAT in accordance with Measures for Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (營業稅改徵增值稅試點實施辦法). The sale of real property and the secondhand housing transaction shall adopt this notice.

The Notice on Establishing the Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), promulgated by the PBOC and the CBRC on December 28, 2020 and became effective on January 1, 2021, provides that banking financial institutions are required to limit the ratio between their outstanding individual housing loans and total RMB loans. The PBOC and CBRC set the limits in five different stages based on factors such as the asset sizes and types of banking financial institutions.

REGULATIONS ON FIRE PREVENTION MANAGEMENT

According to the Fire Prevention Law of the People's Republic of China (中華人民共和國消防法) promulgated by the SCNPC on April 29, 1998 and implemented on September 1, 1998, later amended on October 28, 2008 and implemented on May 1, 2009, and newly amended on April 23, 2019, fire prevention facilities design and works for construction projects shall conform to state's fire prevention technical standards for engineering construction.

REGULATIONS ON 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 SCNPC on March 14, 1997, as amended on August 27, 2009 and on December 26, 2020, 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), or the Civil Air Defense Law, promulgated by the SCNPC 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 construction of civil air defense property and investors in civil air defense are permitted to use (including lease), manage the civil air defense property in time of peace and profit therefrom. However, such use may 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 Works 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 Works (人民防空工程維護管理辦法) , which specify how to use, manage and maintain the civil air defense property.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), 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 Peoples Republic of China (中華人民共和國環境影響評價法) the Administrative Regulations on Environmental Protection of Construction Projects (2017 revision) (建設項目環境保護管理條例) (2017年修訂). 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.

REGULATIONS ON LABOR AND SOCIAL SECURITY

On June 29, 2007, the PRC government promulgated the PRC Labor Contract Law (中華人民共和國勞動合同法), which became effective on January 1, 2008, amended on December 28, 2012 and became effective on July 1, 2013. Pursuant to the PRC Labor Contract Law and the PRC Labor Law (中華人民共和國勞動法), which became effective on January 1, 1995, amended on August 27, 2009 and newly amended on December 29, 2018, (a) employers must execute written labor contracts with full-time employees, (b) employers are prohibited from forcing employees to work overtime unless they pay overtime payment to the employees and the hours worked beyond the standard working hours are within the statutory limits, (c) employers are required to pay salaries to employees on time and the salaries paid to employees shall not be lower than the local minimum salary standard, and (d) employers shall establish its work safety and sanitation system, and provide employees with workplace safety training. In addition, in accordance with the relevant laws and regulations on social security, employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurance) and the housing fund on behalf its employees.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "**New Social Insurance Law**") promulgated on October 28, 2010 by the SCNPC and implemented on July 1, 2011, and amended on December 29, 2018, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and implemented on January 22, 1999 and amended on March 24, 2019 by the State Council, the Interim Measures Concerning the Maternity Insurance of Employees of Enterprises (企業職工生育保險試行辦法) promulgated on December 14, 1994 and implemented on January 1, 1995 by former Ministry of Labor, the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例) promulgated and implemented on April 3, 1999 and amended on March 24, 2002 and March 24, 2019 by the State Council, the Regulation on Occupational Injury Insurances (工傷保險條例) promulgated on April 27, 2003 by the State Council and implemented on January 1, 2004 and amended on December 20, 2010 by the State Council, and regulations on pension insurance, medical insurance and unemployment insurance in the provincial and municipal level, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees. After the New Social Insurance Law became effective, where an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of 1 to 3 times the outstanding amount might be imposed by the relevant administrative department.

REGULATIONS ON TAXATION

Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) ("**EIT Law**") enacted by the NPC on March 16, 2007, amended on February 24, 2017 and newly amended on December 29, 2018, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

Furthermore, pursuant to the EIT Law and the Implementation Rules on the Enterprise Income Tax (企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and effective on January 1, 2008, and amended on April 23, 2019, a withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of the State Administration of Taxation, or SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer must be the "beneficiary owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends.

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 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, and the importation of goods are required to pay value-added tax.

According to the Interim Administrative Measures on the Management of Levying and Collection of Value-Added Tax on sale of Self-developed Real Estate Project by the Real Estate Developers (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016, implemented on May 1, 2016 and revised on June 15, 2018 by SAT, real estate developer shall pay value-added tax for the sales of its self-developed real estate project.

Land Appreciation Tax

In accordance with the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "**Land Appreciation Tax Provisional Regulations**") promulgated on December 13, 1993, implemented on January 1, 1994 and amended on January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation

Tax (中華人民共和國土地增值稅暫行條例實施細則) which were promulgated and implemented on January 27, 1995, land appreciation tax is payable on the appreciation value derived from the transfer of land use rights and buildings or other facilities on such land, after deducting the deductible items.

Deed Tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, and amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3 percent to 5 percent. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the SAT for record.

The Notice of the MOF, the SAT and the MOHURD 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) promulgated on February 17, 2016 and effective on February 22, 2016 provides that:

(1) the purchase of a property by an individual as the only house for his/her family (covering the purchaser and the spouse and minor children thereof) is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 1.5% if the area is over 90 square meters; and

(2) the purchase of a second house by an individual for making house improvements for his/her family is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 2% if the area is over 90 square meters.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and last amended on March 2, 2019, land use tax in respect of urban land is levied according to the area of relevant land.

Building Tax

In accordance with the PRC Provisional Regulations on Real Estate Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011 and the PRC State Council Order 546 (中華人民共和國國務院令2008第546號), for enterprises in PRC, no matter domestic or foreign-invested, the building tax is calculated at the rate of 1.2% on the value of self-owned real estate or at the rate of 12% on rental income derived from real estate.

REGULATIONS ON FOREIGN EXCHANGE REGISTRATION AND FOREIGN CURRENCY EXCHANGE

Foreign Currency Exchange

Under the PRC Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated in January 29, 1996 and revised in January 14, 1997 and August 5, 2008 and various regulations issued by SAFE and other relevant PRC government authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of RMB into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in RMB. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-tripping Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on July 4, 2014, (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. According to the Circular 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 became effective on June 1, 2015, the above mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

BOARD OF DIRECTORS

Our Board is responsible and has general power for the management and conduct of our business. Our Board consists of six Directors, of whom three are executive Directors and three are independent non-executive Directors. The following table sets forth the information concerning our Directors:

Name	Age	Position	Roles and responsibilities in our Group
Mr. Zhang Yuanlin (張園林)	44	Chairman of the Board, Chief Executive Officer and executive Director	Responsible for the overall business direction and strategic development of our Group
Ms. Tu Jing (涂菁)	31	Executive Director and Deputy General Manager of operations management	Responsible for the operational management of our Group and the performance review of our senior management
Mr. Tam Chi Choi (譚志才)	56	Independent non-executive Director	Providing independent advice on the operations and management of our Group
Mr. Au Yeung Po Fung (歐陽寶豐)	53	Independent non-executive Director	Providing independent advice on the operations and management of our Group
Mr. Liu Xin (劉昕)	51	Independent non-executive Director	Providing independent advice on the operations and management of our Group

Executive Directors

Mr. Zhang Yuanlin (張園林), aged 44, founded our Group in March 2010. Mr. Zhang has been our Director since September 18, 2018 and was re-designated as our chairman of the Board, executive Director and chief executive officer on May 14, 2019. On March 2, 2020, Mr. Zhang has relinquished his role as the chief executive officer and has been re-designated as the Co-Chairman. On September 7, 2020, Mr. Zhang has been appointed as chief executive officer and has been redesignated as Chairman of our Group. Mr. Zhang is primarily responsible for the overall business direction and strategic development of our Group. Mr. Zhang has also served as a director of Jiangxi Sinic Properties, one of our major operating subsidiaries, since March 2010. He has over 17 years of experience in the PRC real estate industry. From January 2002 to January 2006, he worked in Jiangxi Province Fifth Construction Group Co., Ltd. (江西省第五建設集團有限公司), a general contractor for construction engineering projects and infrastructure construction projects, with his last position as the general manager. From December 2005 to October 2018, he served as the executive director of Jiangxi Yuren Investment Co., Ltd. (江西裕仁投資有限公司). From August 2007 to January 2014, he served as the executive director of Jiangxi Fengcheng Hilton Properties Co., Ltd. (江西省豐城市希爾頓置地有限公司), a company engaged in the development of residential properties in Fengcheng City in Jiangxi Province of the PRC. In addition, Mr. Zhang has been a director of Sinic Technology since July 2016.

Mr. Zhang has received multiple awards in recognition of his outstanding achievements. He was named one of the "100 Most Influential Entrepreneurs in China's Real Estate Industry in 2018" (2018中國房地產百強企業貢獻人物) as well as the "Leading Person of Real Estate in Nanchang in 2016" (2016南昌樓市領軍人物) by China Real Estate Top 10 Research Group (中國房地產Top 10研究組) in 2018 and 2016, respectively. In 2015, Mr. Zhang was recognized as a "Person with Outstanding Contributions in China's Real Estate Industry in 2015" (中國品牌地產榮譽榜2015年傑出人物) by China Real Estate Business Alliance (全國房地產商會聯盟). He was also awarded the "Top 10 Figures in Jiangxi's Real Estate Industry of the Year" (江西地產年度十大名人) by Jiangxi Real Estate Association (江西省地產協會) in January 2015. Mr. Zhang completed secondary vocational school education.

Mr. Zhang was a director of Jiangxi Libo Properties Co., Ltd. (江西力博置業有限公司), a company established in the PRC and was deregistered on January 3, 2019. Mr. Zhang confirmed that such company was solvent prior to its deregistration and was deregistered as it had not commenced business since establishment. He further confirmed that, as of the date of this offering memorandum, no claims have been made against him and he was not aware of any threatened or potential claims made against him and there are no outstanding claims and/or liabilities as a result of the deregistration of such company.

Ms. Tu Jing (涂菁), aged 31, was appointed as our executive Director on May 14, 2019. Ms. Tu is primarily responsible for the overall management of our Group and performance review of our senior management. Ms. Tu joined our Group in February 2014 as the secretary to the chairman and assumed the role of director of operations management in February 2015. She was appointed as a director of one of our major operating subsidiaries, Jiangxi Sinic Properties, in August 2016. Ms. Tu has over 8 years of experience in the PRC real estate industry. Prior to joining our Group, Ms. Tu worked in Hebei Zhaoxiang Property Development Co., Ltd. (河北兆翔房地產開發有限公司), a company engaged in property development, as the chairman assistant from February 2011 to January 2014. She has also been a director of Sinic Technology since July 2016 and a director of Sinic Lichuang Shiye Co., Ltd. (新力力創實業有限公司), which is a subsidiary of Sinic Technology since October 2016. Ms. Tu graduated from Nanchang Institute of Technology (南昌工程學院) in the PRC in July 2011 with a bachelor's degree in international economics and trade.

Ms. Tu was a partner of Nanchang Xinjing Education Development (Limited Partnership) (南昌新京教育發展中心(有限合夥)), a limited partnership established in the PRC and was deregistered on December 29, 2018. Ms. Tu confirmed that such entity was solvent prior to its deregistration and was deregistered as it had not commenced business since establishment. She further confirmed that, as of the date of this offering memorandum, no claims have been made against her and she was not aware of any threatened or potential claims made against her and there are no outstanding claims and/or liabilities as a result of the deregistration of such entity.

Independent non-executive Directors

Mr. Tam Chi Choi (譚志才), aged 56, was appointed as our independent non-executive Director on August 26, 2019 and he is responsible for providing independent advice on the operations and management of our Group. Mr. Tam has over 32 years of accounting and finance experience. He began his career at KPMG Peat Marwick from August 1987 to April 1991 and his last position was audit supervisor. He worked as an accounting manager of Kosonic Industries Company Limited from May 1991 to July 1992 and as a deputy accounting manager of Applied Electronics (OEM) Limited from December 1992 to July 1994. From August 1994 to November 2015, he worked at the listing division of the SEHK and his last position was vice president. From November 2015 to October 2017, he served as a director of the quality and risk control division of CCB International Capital Limited. He was the responsible officer of Proton Capital Limited from February 2018 to September 2018. He has served as a corporate finance director of Eric Chow & Co. in association with Commerce and Finance Law Offices since September 2018.

Mr. Tam obtained an honors diploma in accounting from Hong Kong Baptist College in July 1987 and a master's degree in business administration from the University of Canberra in Australia in December 2002. He became a fellow of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 1995 and October 2000, respectively. Mr. Tam was a committee member of the ACCA Hong Kong Committee from 2003 to 2008.

Mr. Au Yeung Po Fung (歐陽寶豐), aged 53, was appointed as our independent non-executive Director on August 26, 2019 and he is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Au Yeung has extensive experience in the PRC real estate industry and other industries.

While Mr. Au Yeung is currently holding directorships in five other companies listed on the SEHK as disclosed above, our Directors are of the view that Mr. Au Yeung will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director given that: (i) his roles in other listed companies primarily requires him to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) he has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year, as disclosed in the annual reports of the relevant listed companies; (iii) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in other listed companies, which is expected to facilitate the proper discharge of his duties and responsibilities as an independent non-executive Director; and (iv) he has confirmed that he will have sufficient time to fulfill his duties as an independent non-executive Director notwithstanding his existing independent non-executive directorships in six other listed companies.

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

During the period between 1998 and 2001, Mr. Au Yeung was a director of Uniford Asia Limited, a company incorporated in Hong Kong and dissolved by striking off pursuant to Section 291 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as the company ceased operations on May 18, 2001. Mr. Au Yeung has confirmed that such company was not in operation and was solvent at the time of dissolution. Mr. Au Yeung has further confirmed that there was no fraudulent act or misfeasance on his part leading to the striking off of such company and he is not aware of any actual or potential claim that had been or will be made against him as a result of the striking off of such company.

Mr. Liu Xin (劉昕), aged 51, was appointed as our independent non-executive Director on August 26, 2019 and he is responsible for providing independent advise on the operations and management of our Group. Mr. Liu has served successively as an associate professor, professor and a doctoral supervisor of the Institute of Organisation and Human Resources at the School of Public Administration and Policy in Renmin University of China (中國人民大學公共管理學院組織與人力資源研究所) since February 2001. He is also a researcher at the National Academy of Development and Strategy in Renmin University of China (中國人民大學國家發展與戰略研究院). He has been teaching in Renmin University of China in the PRC since 1997 and served successively as a lecturer and an associate professor of the School of Labour and Human Resources from June 1997 to February 2001. From August 1998 to July 1999, Mr. Liu served as a visiting scholar at Ghent University in Belgium. From August 2009 to July 2010, Mr. Liu served as a senior visiting scholar of the Fulbright Program at Harvard University in the United States. From September 2011 to December 2011, Mr. Liu served as a visiting professor of Gerald R. Ford School of Public Policy, University of Michigan in the United States. From May 2003 to October 2013, he served as a chief expert and senior partner of Beijing Boom HR Consulting Co., Ltd (北京博目企業管理顧問有限公司) and participated in the management and operation of the company. Mr. Liu is currently a deputy chairman and chief secretary of China's Association of Human Resource Management Teaching and Practicing (中國人力資源開發教學與實踐研究會). Mr. Liu has been appointed as an independent non-executive director of Beijing Capital Land Ltd. (首創置業股份有限公司), a company listed on the SEHK (stock code: 2868), since December 2017.

Mr. Liu obtained a bachelor's degree, a master's degree and a doctorate degree in Labour Economics from the Renmin University of China in the PRC in July 1991, June 1994 and June 1997, respectively.

Senior management

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

Name	Age	Position	Roles and responsibilities in our Group
Mr. Hu Yanfang (胡衍放)	42	General manager of business operation in Wuhan area	Responsible for the supervision of our daily operation in Wuhan area, Hubei Province
Mr. Wang Jingwei (王敬偉)	50	General manager of business operation in Ganyue area	Responsible for the supervision of our daily operation in Ganyue area, Jiangxi Province
Mr. Hu Baoliang (胡寶亮)	44	General manager of the audit and supervision center	Responsible for the overall management of the audit and supervision department of our Group
Ms. Zheng Zhiqin (鄭智琴)	46	General manager of the cost control center	Responsible for the cost control and overall business management of our Group

Mr. Hu Yanfang (胡衍放) , aged 42, joined our Group in September 2012 as a project manager and was later promoted to the position of chief project manager. Since February 2017, he has served as the general manager of business operation for supervising our daily operations in Wuhan area, Hubei Province. Mr. Hu has also assumed multiple directorships in our subsidiaries, including Wuhan Furui Decheng Property Development Co., Ltd. (武漢福瑞德成房地產開發有限公司) since September 2017 and Wuhan Baohe Youcheng Real Estate Co., Ltd. (武漢保和優誠置業有限公司) since October 2017. Mr. Hu has over 19 years of experience in the PRC real estate industry. Prior to joining our Group, he served as a technical manager in Jiangxi Zhongnan Construction Engineering Group Co., Ltd. (江西中南建設集團有限公司), a company engaged in construction engineering, from February 2000 to August 2006. He then worked as a project manager in two companies engaged in property development, namely Jiangxi Jiazhuo Investment Management Development Group Ltd. (江西佳卓投資管理發展集團有限公司) from September 2006 to March 2010 and Nanchang Causeway Bay Plaza Investment Co., Ltd. (南昌銅鑼灣廣場投資有限公司) from April 2010 to August 2012. Mr. Hu graduated from Jiangxi Southeast Learning Institute (江西東南進修學院) in the PRC with a diploma in civil engineering in October 2000.

Mr. Wang Jingwei (王敬偉), aged 50, joined our Group in July 2014 as a general project manager and was promoted to the position of regional general manager in October 2017. He is primarily responsible for supervising the daily operations of our Group in Ganyue area, Jiangxi Province. Mr. Wang has over 12 years of experience in the PRC real estate industry. From October 2006 to September 2008, Mr. Wang worked as an electrical and mechanical manager in Xiamen Xiashang Real Estate Co., Ltd. (廈門夏商房地產有限公司). From September 2008 to February 2011, he was the deputy general manager of engineering and development of Sino (Xiamen) Realty Development Co., Ltd. (信和(廈門)房地產發展有限公司). From February 2011 to March 2013, he worked as a project manager in China Resources Land (Xiamen) Co., Ltd. (華潤置地(廈門)有限公司). Mr. Wang obtained a bachelor's degree in engineering of water supply and drainage from Nanchang University (南昌大學) in the PRC in 1993 and a postgraduate certificate in business administration from Xiamen University (廈門大學) in the PRC in 2009. Mr. Wang holds the qualifications as a class A constructor (一級建造師執業資格) conferred by the Fujian Human Resources Bureau (福建省人事廳) in September 2007 and as a class A certified constructor (一級註冊建造師) conferred by the Ministry of Construction of the PRC (中華人民共和國建設部) in July 2010.

Mr. Hu Baoliang (胡寶亮), aged 44, joined our Group in January 2015 as the general manager of our audit and supervision center, which is primarily responsible for overseeing the internal audit, risk management and internal control of our Group. Mr. Hu has over 17 years of experience in accounting management and corporate governance. From June 2001 to July 2005, Mr. Hu worked in the Huanggang branch of China Telecommunications Corporation Limited, a company listed on the SEHK (stock code: 728), where he was responsible for accounting and finance matters. From March 2007 to March 2011, the Guangzhou Branch of Shanghai Baima Transmission Industrial Co., Ltd. (上海白馬傳動工業有限公司廣州分公司), with his last position serving at the board office. He worked as a manager in the audit department of Guangdong Eastone Century Technology Co., Ltd. (廣東宜通世紀科技股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 300310, from November 2010 to August 2011, and a supervisor in the audit department of Guangzhou R&F Properties Co., Ltd., a company listed on the SEHK with stock code 2777, from September 2011 to September 2014. Mr. Hu obtained a bachelor's degree in economics with a major in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 1997. Mr. Hu is an accountant, a certified internal auditor and a senior auditor.

Ms. Zheng Zhiqin (鄭智琴), aged 46, joined our Group in May 2017 as the general manager of our cost control center, which is primarily responsible for the cost control management of our Group. Ms. Zheng has over 22 years of experience in cost and budget management with over 13 years of work experience in the PRC real estate industry. From July 1996 to November 2005, Ms. Zheng worked in China Electronics System Engineering Second Construction Co., Ltd. (中國電子系統工程第二建設有限公司), where she was responsible for price quotations and tendering management. From November 2005 to June 2013, she worked at Wuxi Forte Property Development Co., Ltd (無錫復地房地產開發有限公司), where she was later promoted as the director of the cost management department. From June 2013 to June 2016, she worked in Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a company established in the PRC with its shares listed on the Shanghai Stock Exchange (stock code: 600823) and a 58.92%-owned subsidiary of the Shimao Property Holdings Limited listed on the SEHK (stock code: 813), where she was later promoted to the position of director of cost management. She was the deputy general manager of the cost department of Dahua (Group) Co., Ltd. (大華(集團)有限公司) from June 2016 to September 2016 and the deputy general manager of cost control center of Shanghai Powerlong Industrial Development Co., Ltd. (上海寶龍實業發展有限公司), a wholly-owned subsidiary of Powerlong Real Estate Holdings Limited listed on the SEHK (stock code: 1238) from September 2016 to May 2017. Ms. Zheng obtained a bachelor's degree in industrial and civil engineering from Nanjing Construction Engineering College (南京建築工程學院) (now known as Nanjing Institute of Technology (南京工業大學)) in the PRC in July 1996. Ms. Zheng is a engineer and a certified budgeting specialist recognized by the 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) in September 2010.

Incident relating to a former employee

Mr. Wang Zhe (王哲) (also known as Wang Yan (王炎)) ("**Mr. Wang**"), joined our Group in March 2019 as vice president and chief financial officer of our Company and was appointed as our executive Director on May 14, 2019. He was responsible for the overall management of the financing and financial affairs of our Group. On October 8, 2019, Mr. Wang tendered his resignation as our executive Director, vice president and chief financial officer due to personal reasons. Mr. Wang has confirmed that he has no claims whatsoever against our Company for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise, has no disagreement with our Board and that there are no other matters relating to his resignation that need to be brought to the attention of our shareholders and the SEHK. Following Mr. Wang's resignation, Mr. Zhang Liaopin (張嘹頻), the deputy general manager of the financial management department, has taken up Mr. Wang's responsibilities in supervising the financial operations of our Group and reporting duties to the Board. Mr. Zhang Liaopin has worked in our Group for more than seven years and is familiar with various key aspects of our financial management, including fund-raising and treasury management. Given that (i) Mr. Zhang Liaopin has sufficient experience and capacity to assume Mr. Wang's roles; (ii) Mr. Wang tendered his resignation due to personal reasons unrelated to our Group; (iii) in spite of Mr. Wang's resignation, our Group's financing and financial affairs are still under smooth management; and (iv) neither our Company nor any of our existing Directors had been notified of any investigation, penalty or claim being imposed or filed by any governmental authorities in the PRC against us in relation to Mr. Wang's resignation, there is no material adverse impact on the business and financial operations of our Group as a result of Mr. Wang's resignation.

COMPANY SECRETARY

Mr. Yim Lok Kwan (嚴洛鈞) was appointed as our company secretary on May 14, 2019. Mr. Yim is a manager of SWCS Corporate Services Group (Hong Kong) Limited and has over six years of experience in the corporate services field. He is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). In addition, he holds a bachelor's degree in accounting and a master's degree in corporate governance.

BOARD COMMITTEES

Audit Committee

The audit committee consists of all of the independent non-executive Directors, namely, Mr. Tam Chi Choi, Mr. Au Yeung Po Fung and Mr. Liu Xin. Mr. Tam Chi Choi is the chairman of the audit committee. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The remuneration committee consists of four members, namely, Mr. Au Yeung Po Fung, Mr. Zhang, Mr. Tam Chi Choi and Mr. Liu Xin. Mr. Au Yeung Po Fung is the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The nomination committee consists of four members, namely Mr. Zhang, Mr. Liu Xin, Mr. Tam Chi Choi and Mr. Au Yeung Po Fung. Mr. Zhang is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board.

PRINCIPAL SHAREHOLDERS

As of the date of this offering memorandum, the following persons or institutions have beneficial interests or short positions in any of our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who are directly and/or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our other members:

Name of Shareholder	Nature of Interest	Approximate percentage of shareholding[1]	
		Number	*Approximate Percentage*
Mr. Zhang	Founder of trusts[2], [3]	2,970,000,000 Shares (L)	83.19%
TMF (Cayman) Ltd	Trustee of a trust[2]	2,820,000,000 Shares (L)	78.99%
Honoured Ever Oriental Holdings Limited	Interest in a controlled corporation[2]	2,820,000,000 Shares (L)	78.99%
Xin Hong	Interest in a controlled corporation[2]	2,820,000,000 Shares (L)	78.99%
Sinic Group	Interest in a controlled corporation[2]	2,820,000,000 Shares (L)	78.99%
Sinic Holdings	Beneficial owner[2]	2,820,000,000 Shares (L)	78.99%
Ms. Wu Chengping	Interest of spouse[4]	2,970,000,000 Shares (L)	83.19%

Notes:

(1) The letter "L" denotes a long position in our Shares.

(2) The entire issued share capital of Sinic Holdings is held by Sinic Group, which in turn is wholly owned by Xin Hong. Xin Hong is wholly owned by Honoured Ever Oriental Holdings Limited, the holding vehicle of TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the Family Trust, a discretionary trust established by Mr. Zhang as settlor, the beneficiaries of which are Mr. Zhang and Mr. Zhang's family members. Accordingly, each of Mr. Zhang, TMF (Cayman) Ltd., Honoured Ever Oriental Limited, Xin Hong and Sinic Group is deemed under the SFO to be interested in the Shares held by Sinic Holdings.

(3) Xin Heng is a beneficial owner of 50 Shares as of the date of the application for Listing, representing 5.0% of the issued share capital of our Company as of the date of the application for Listing. Immediately following the completion of the initial public offering and the Capitalization Issue, Xin Heng owns 150,000,000 Shares, representing approximately 4.2% of the issued share capital of our Company upon Listing (assuming the Over-allotment Option is not exercised). The entire issued share capital of Xin Heng is held by Glory Victory Holdings Limited, the holding vehicle of TMF Trust (HK) Limited. TMF Trust (HK) Limited is the trustee of the Employee Incentive Trust, a discretionary trust set up by Mr. Zhang as settlor for the purpose of a share incentive scheme to be adopted at least six months after Listing, for the benefit of employees of the Group. Accordingly, Mr. Zhang is deemed under the SFO to be interested in the Shares held by Xin Heng.

(4) Ms. Wu Chengping is the spouse of Mr. Zhang. Under the SFO, Ms. Wu Cheungping is deemed to be interested in the same Shares in which Mr. Zhang is interested.

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties for the years/periods as indicated below:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Advance from related companies:							
Joint ventures	683,333	3,035,701	5,298,948	761,146	2,326,732	2,344,477	331,839
Associates	1,564,341	402,848	2,389,631	343,249	461,464	408,504	57,820
Companies controlled by the Controlling Shareholder	8,482,247	11,251,364	39,259,462	5,639,269	6,394,868	2,029,919	287,316
Companies owned by a family member of the Controlling Shareholder	1,051,468	955,887	409,764	58,859	369,602	–	–
Companies over which the Controlling Shareholder has significant influence	514	144,385	341,886	49,109	12,883	–	–
Repayment of advance from related companies:							
Joint ventures	–	2,938,152	1,871,266	268,791	926,566	1,637,364	231,754
Associates	72,135	1,682,342	1,462,724	210,107	135,482	895,109	126,694
Companies controlled by the Controlling Shareholder	8,493,045	11,251,364	39,101,683	5,616,605	6,394,868	870,162	123,163
Companies owned by a family member of the Controlling Shareholder	1,051,468	698,689	634,308	91,113	594,146	–	–
Companies over which the Controlling Shareholder has significant influence	75,208	144,385	317,317	45,580	12,883	24,569	3,478
Advance to related companies:							
Joint ventures	18,874	1,513,638	9,432,671	1,354,918	5,953,013	1,364,683	193,158
Associates	192,405	533,682	1,282,577	184,231	108,305	570,543	80,755
Companies controlled by the Controlling Shareholder	14,151,572	8,084,491	12,393,134	1,780,162	7,047,327	–	–
Companies owned by a family member of the Controlling Shareholder	1,263,922	364,303	373,429	53,640	1,118,895	–	–
Companies over which the Controlling Shareholder has significant influence	110,981	195,339	15,946	2,290	63,278	–	–

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(RMB'000)* (Unaudited)	*(US$'000)* (Unaudited)
Repayment of advance to related companies:							
Joint ventures	201,251	558,242	6,678,087	959,247	2,660,974	895,072	126,689
Associates	51,530	354,514	659,477	94,728	294,482	136,119	19,266
Companies controlled by the Controlling Shareholder	13,276,983	8,482,963	15,962,066	2,292,807	5,177,836	–	–
Companies owned by a family member of the Controlling Shareholder	1,779,973	566,464	373,429	53,640	1,119,012	–	–
Companies over which the Controlling Shareholder has significant influence	80,928	123,932	117,406	16,864	33,686	–	–
Construction services provided by a company controlled by a family member of the Controlling Shareholder *(note)*	598,060	1,063,711	1,141,210	163,925	741,185	650,313	92,046
Miscellaneous purchases from a company controlled by the Controlling Shareholder *(note)*	9,852	10,402	8,135	1,169	3,501	7,487	1,060
Property management services provided by companies controlled by the Controlling Shareholder *(note)*	31,794	123,798	181,751	26,107	91,055	136,706	19,349
Project management services provided to joint ventures and associates	–	–	–	–	0	23,797	3,368
Management consulting services provided by companies controlled by the Controlling Shareholder *(note)*	84,246	151,960	53,123	7,631	53,123	–	–
Consulting services provided to joint ventures and associates . .	–	–	20,909	3,003	0	–	–
Sales to a family member of the Controlling Shareholder *(note)*	21,024	32,052	33,432	4,802	19,372	–	–
Donation to a charity of which the Controlling Shareholder is the chairman	–	3,024	–	–	0	–	–

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

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 (including bank and other loans, senior notes and corporate bonds) amounted to RMB28,431.3 million (US$4,024.2 million). See "Summary – Recent Developments" and "– Offshore Financings" for more details. 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 China Minsheng Bank, Ping An Bank, Bank of Tianjin, China Guangfa Bank and Industrial and Commercial Bank of China. These loans are typically project loans to finance the construction of our projects (the "**project loans**") and have terms ranging from six months to 42 months, 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 RMB23,881.5 million (US$3,380.2 million), of which RMB9,984.0 million (US$1,413.1 million) was due within one year, RMB10,549.1 million (US$1,493.1 million) was due between one and two years and RMB3,348.4 million (US$473.9 million) was due between two 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 9.2% 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, RMB22,249.8 million (US$3,149.2 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 and other financing arrangements

As with many other property developers in the PRC, we also enter into financing arrangements with trust companies, asset management companies and their financing vehicles, as well as other financial institutions in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments. These financing arrangements can be categorized into trust financing and other financing arrangements. Trust financing arrangements refer to the financing arrangements with trust companies, asset management companies and their financing vehicles. For additional information as to the relevant laws and regulations applicable to trust financing arrangements, see "Regulation – Regulations on Real Estate Financing – Trust Financing."

Corporate Bonds

We issued the private corporate bonds due 2021 at a coupon rate of 7.9% and in the aggregate principal amount of RMB313.0 million (US$46.5 million) in October 2018.We issued the private corporate bonds due 2021 at coupon rate of 7.5% and in the aggregate principal amount of RMB276.0 million (US$41.0 million) in October 2018. In April 2019, we issued private corporate bonds due 2022 at a coupon rate of 7.5% in the aggregate principle amount of RMB417.0 million (US$61.9 million). In December 2020, we issued private corporate bonds due 2023 at a coupon rate of 7.0% in the aggregate principal amount of RMB300.0 million (US$42.5 million).

OFFSHORE FINANCINGS

The March 2021 Notes

On March 11, 2020, we entered into an indenture (as amended or supplemented from time to time, the "**March 2021 Indenture**"). Pursuant to the March 2021 Indenture, we issued an aggregate principal amount of US$280,000,000 of 11.75% senior notes due 2021 on March 10, 2020 (the "**March 2021 Notes**"). As of the date of this offering memorandum, the March 2021 Notes remained outstanding.

Guarantee

The obligations pursuant to the March 2021 Notes are guaranteed by Li Yue Company Limited, Li Yue (HK) Holdings Limited, Forest Resources Developments Limited and Icons Electronics Limited (the "**March 2021 Subsidiary Guarantors**"). Each of the March 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the March 2021 Notes.

Interest

The March 2021 Notes bear an interest rate of 11.75% per annum, payable in arrears on September 11, 2020 and March 10, 2021.

Covenants

Subject to certain conditions and exceptions, the March 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:

- 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.

Events of Default

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

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding March 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 March 2021 Notes is March 10, 2021.

At any time prior to March 10, 2021, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to March 10, 2021, 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 111.75% 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 30 days after the closing of the related Equity Offering.

The June 2022 Notes

On June 11, 2020, we entered into an indenture (as amended or supplemented from time to time, the "**June 2022 Indenture**"). Pursuant to the June 2022 Indenture, we issued an aggregate principal amount of US$210,000,000 of 10.5% senior notes due 2022 on June 18, 2020 (the "**June 2022 Notes**"). As of the date of this offering memorandum, the June 2022 Notes remained outstanding.

Interest

The June 2022 Notes bear an interest rate of 10.5% per annum, payable in arrears on June 18 and December 18 of each year, commencing December 18, 2020.

Covenants

Subject to certain conditions and exceptions, the June 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, 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.

Events of Default

The June 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the June 2022 Notes when such payments become due, default in the payment of interest which continues for 30 consecutive days and other events of default. If an event of default occurs and is continuing, the trustee under the June 2022 Indenture or the holders of at least 25% of the outstanding June 2022 Notes may declare the principal of the June 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding June 2022 Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

Maturity and Redemption

The maturity date of the June 2022 Notes is June 18, 2022.

At any time prior to June 18, 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 Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to June 18, 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 110.5% 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 30 days after the closing of the related Equity Offering.

The October 2021 Notes

On October 19, 2020, we entered into an indenture (as amended or supplemented from time to time, the "**October 2021 Indenture**"). Pursuant to the October 2021 Indenture, we issued an aggregate principal amount of US$250,000,000 of 9.50% senior notes due 2021 on October 19, 2020 (the "**October 2021 Notes**"). As of the date of this offering memorandum, the October 2021 Notes remained outstanding.

Interest

The October 2021 Notes bear an interest rate of 9.50% per annum, payable in arrears on April 19, 2021 and October 18, 2021, commencing October 19, 2020.

Covenants

Subject to certain conditions and exceptions, the October 2021 Notes and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, 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.

Events of Default

The October 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the October 2021 Notes when such payments become due, default in the payment of interest with continuous for 30 consecutive days and other events of default. If any event of default occurs and is continuing, the trustee under the October 2021 Indenture of the holder of at least 25% of the outstanding October 2021 Notes may declare the principal of the October 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding October 2021 Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2021 Notes is October 18, 2021.

At any time prior to October 18, 2021, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to October 18, 2021, 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 109.50% 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 30 days after the closing of the related Equity Offering.

Offshore Financing Agreements

Certain of our Unrestricted Subsidiaries have entered into offshore financing agreements with an offshore bank. We have provided a guarantee for the due and payable mounts under the offshore financing.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "**Company**" refers only to Sinic 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 January 25, 2021, 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 prior written request and proof of holding satisfactory to the Trustee 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 of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on January 24, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 8.50% 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 25, 2021 and January 24, 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 10, 2021 and January 9, 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 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 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 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 Li Yue Company Limited, Li Yue (HK) Holdings Limited, Forest Resources Developments Limited and Icons Electronics 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 in a jurisdiction other than 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 an entity (i) that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC, (iii) that is not an Exempted Subsidiary or a Listed Subsidiary and (iv) 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 and such entity remains a 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 such entity becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may, 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 (as defined below), 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* the Consolidated Assets of all Other Non-Guarantor Subsidiaries (including the Consolidated Assets of such Restricted Subsidiary) do not account for more than 15% 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 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 borrowings included in non-current borrowings and current borrowings (including bank and other loans, senior notes and corporate bonds) were RMB15,762.0 million (US$2,231.0 million) and RMB12,669.3 million (US$1,793.2 million), respectively.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total debt of RMB9,858.2 million (US$1,395.3 million), capital commitments of RMB13,754.4 million (US$1,946.8 million) and no contingent liabilities arising from guarantees.

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 to an Independent Third Party, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries 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 Other Non-Guarantor Subsidiaries (including such New Non-Guarantor Subsidiaries) do not account for more than 15% 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 Subsidiary Guarantor that would have the effect of (a) prohibiting such Subsidiary Guarantor from releasing such Subsidiary Guarantee, (b) prohibiting such Subsidiary Guarantor from providing a JV Subsidiary Guarantee as described below, or (c) requiring such relevant Subsidiary Guarantor 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 other than the Existing Unrestricted 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 January 24, 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 Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to January 24, 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 108.5% 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 30 days after the closing of the related Equity Offering.

SELECTION AND NOTICE

The Company will give not less than 15 days' and not more than 30 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange and/or being held through 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 and/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 15 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, 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;

(d) 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); 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 premium (if any) 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 15 days' nor more than 30 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 15 days but not more than 30 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 Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

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 2.0 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) below (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 clause (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, in each case only 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) (together with any refinancings thereof) 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 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), (v) and (x) 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 (1) all 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 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) (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$5.0 million (or the Dollar Equivalent thereof);

(9) 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;

(10) the redemption, repurchase or other acquisition of or the declaration and payment of dividends on the Common Stock of the Company by the Company and/or any repurchase, call for redemption, redemption or acquisition of the Company's Common Stock 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;

(11) 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;

(12) the distributions or payments of Securitization Fees in connection with Receivable Financings; or

(13) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, *provided that* any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired,

provided that, in the case of clauses (2), (3), (4), (8), (10) and (11) 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 clause (1) 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 (13) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof). 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 (13) 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 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 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor to make required payment on the Notes, any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case maybe 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 recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other 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 described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and the Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, (B) between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (C) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided that* in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a non-Wholly Owned Restricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary or Minority Joint Venture of the Company and (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

Limitation on Liens

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of the Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under "– Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "– Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "– Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that*, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$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 recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

    (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or 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

On the Original Issue Date, each of the Existing Unrestricted Subsidiaries shall be an Unrestricted Subsidiary. Any future Subsidiary of any Existing Unrestricted Subsidiary shall also be an Unrestricted Subsidiary.

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 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 the Rating Agency 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 either of the two 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

(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 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. 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 Event of Default in the performance of any covenants or agreements under the Indenture. See "– Certain Covenants – Provision of Financial Statements and Reports."

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) above) 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 its Subsidiaries 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; and

(3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "– Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants," other than as described under the captions "– Certain Covenants – Government Approvals and Licenses; Compliance with Law" and "– Certain Covenants – Anti-Layering," and (ii) clause (3) under "– Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "– Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (i) above, clause (4) under "– Events of Default" with respect to such other covenants in clause (i) above and clauses (5) and (7) 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 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**"), the paying agent (the "**Paying Agent**") and the transfer agent (the "**Transfer Agent**" and together with the Registrar and the Paying Agent, 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 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; *provided, however, that* if it acquires any conflicting interest, it must eliminate such conflict or resign. The Trustee may have interest in or may be providing or may in the future provide financial or other services to other parties.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless Holders of at least 25% or more in aggregate principal amount of the outstanding Notes have instructed it in writing and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

Furthermore, each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

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 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 and may assume that no such Event of Default or Default has occurred and that the transaction parties are performing their respective obligations under the Indenture and the Notes unless they have received written notice of the occurrence of such event. 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. 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, cots, expenses and indemnity payment 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 Agent in U.S. dollars. The Paying 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 registered office of the Company or such Subsidiary Guarantor; (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 preceding 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 January 24, 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(s)**" 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. "Affiliate" shall be construed accordingly.

"**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 January 24, 2022, plus (y) all required remaining scheduled interest payments due on such Note through January 24, 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, (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, bank 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 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 liability which would have been classified as "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 or exchangeable into such equity. For the avoidance of doubt, any Perpetual Securities Obligation shall not be included in this definition of "Capital Stock".

"**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 51% 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 January 24, 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 January 24, 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* 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, (i) distributions incurred, accrued or payments on any Perpetual Securities Obligation, (ii) any interest expense arising from lease liability which would have been classified as "operating lease" before the adoption of GAAP 16, and (iii) any interest expense arising from pre-sale proceeds of properties received from any customer 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 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 (2) 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(ies)**” 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. “Exempted Subsidiaries” shall be construed accordingly.

“**Existing Notes**” means the 11.75% senior notes due 2021 issued by the Company pursuant to an indenture dated as of March 11, 2020 (as such may be amended, supplemented or modified from time to time), the 10.5% senior notes due 2022 issued by the Company pursuant to an indenture dated as of June 18, 2020 and the 9.5% senior notes due 2021 issued by the Company pursuant to an indenture dated as of October 19, 2020 (as such may be amended, supplemented or modified from time to time).

“**Existing Unrestricted Subsidiaries**” means Li Ning Holding Limited (力寧控股有限公司), Li Zu Company Limited (力祖有限公司), Li Zu (HK) Company Limited (力祖香港有限公司) and 惠州市力辰實業有限公司 (Huizhou Lichen Industrial Company Limited), and each of their respective Subsidiaries (whether now or in the future).

“**Fair Market Value**” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“**Fitch**” means Fitch Ratings Ltd. and its successors.

"**Fixed Charge Coverage Ratio**" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal 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, (3) any Perpetual Securities Obligation or (4) leasing liabilities arising from any operation lease; *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.

"**Initial Other Non-Guarantor Subsidiaries**" means all the Restricted Subsidiaries organized in a jurisdiction other than the PRC on the Original Issue Date (other than the Initial Subsidiary Guarantors), unless such Restricted Subsidiary has, after the Original Issue Date, executed a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the terms of the Indenture.

"**Interest Rate Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"**Investment**" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+"or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2"or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's; 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 Fitch or any of its successors or assigns; 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 S&P, Moody's, Fitch, Lianhe Global, some or all of them, as the case may be.

"**Investment Property(ies)**" 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(s)**" has the meaning set forth under the caption "– The Subsidiary Guarantees and the JV Subsidiary Guarantees."

"**JV Subsidiary Guarantor(s)**" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"**Lianhe Global**" means Lianhe Ratings Global Limited and its successors.

"**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(ies)**" 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. "Listed Subsidiaries" shall be construed accordingly.

"**Measurement Date**" means March 11, 2020.

"**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 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 15 days nor later than 30 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 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 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 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 Agent shall as soon as reasonably practicable make payment by wire transfer to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall 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 real estate related investment or financing business.

"**Permitted Holders**" means any or all of the following:

(1) Mr. Zhang Yuanlin;

(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) 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) if any 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), such Investment shall comply with the requirements of that covenant; 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 agreements or similar instruments 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, bank deposits or other assets made to secure Bank Deposit Secured Indebtedness;

(24) Liens securing Indebtedness permitted under clauses (2)(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) S&P, (2) Moody's, (3) Fitch and (4) Lianhe Global, provided that if S&P, Moody's, Fitch or Lianhe Global, two or three of any of the four or all four of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch or Lianhe Global.

"**Rating Category**" means (1) with respect to S&P, Fitch and Lianhe Global, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P, Moody's, 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 S&P, Fitch and Lianhe Global; "1", "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "B-"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 all four of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any three of the Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by three of the four Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of two of such three Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by any two of the four Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(d) in the event the Notes are rated by one, and only one, of the four Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(e) in the event the Notes are rated by four or less than four Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any 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 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(ies)**" 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, *provided* that Sale and Leaseback Transaction shall not include such transactions which give rise to any lease liability which would have been classified as "operating lease" before the adoption of GAAP 16.

"**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(ies)**" means, with respect to any Person, any corporation, association or other business entity 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(s)**" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor(s)**" 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) subject to any redesignation under the caption "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," each of the Existing Unrestricted Subsidiaries and their respective Subsidiaries; (2) 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 (3) any Subsidiary of an Unrestricted Subsidiary. "Unrestricted Subsidiaries" shall be construed accordingly.

"**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 Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 October, 2018.

BRITISH VIRGIN ISLANDS

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) pursuant to 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 – 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, BOCI Asia Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Credit Suisse (Hong Kong) Limited, CMB International Capital Limited, BNP Paribas, Barclays Bank PLC, AMTD Global Markets Limited, CCB International Capital Limited, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC Securities Company Limited, HeungKong Securities Limited, The Hongkong and Shanghai Banking Corporation 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 January 18, 2021, 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$25,000,000
BOCI Asia Limited	US$25,000,000
UBS AG Hong Kong Branch	US$25,000,000
Haitong International Securities Company Limited	US$19,000,000
Credit Suisse (Hong Kong) Limited	US$19,000,000
CMB International Capital Limited	US$19,000,000
BNP Paribas	US$19,000,000
Barclays Bank PLC	US$19,000,000
AMTD Global Markets Limited	US$10,000,000
CCB International Capital Limited	US$10,000,000
China CITIC Bank International Limited	US$10,000,000
China International Capital Corporation Hong Kong Securities Limited	US$10,000,000
CMBC Securities Company Limited	US$10,000,000
HeungKong Securities Limited	US$10,000,000
The Hongkong and Shanghai Banking Corporation Limited	US$10,000,000
Vision Capital International Holdings Limited	US$10,000,000
Total	US$250,000,000

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 date that is 30 calendar days after 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 the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. 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 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").

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 (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. 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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 States 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) in relation to any Notes which have a maturity of less than one year, (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 any 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 Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) (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 Company;

(c) 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 Company or any of the Subsidiary Guarantors; and

(d) 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.

Prohibition of Sales to UK Retail Investors

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

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

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

Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

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

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

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

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

(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 of Singapore.

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).*

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 invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes.

British Virgin Islands

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

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 M AY 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 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 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 and BB- by Lianhe Global. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The rating does not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such rating does not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. In addition, we have been assigned a corporate rating of B+ with a stable outlook by Fitch, B with a stable outlook by S&P, B2 with a stable outlook by Moody's and BB- (positive) with a stable outlook by Lianhe Global. We cannot assure you that the ratings on the Notes or us 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 Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law and King & Wood Mallesons as to matters of PRC 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 Commerce & Finance Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

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. The unaudited and interim condensed consolidated financial statements as of and for the first half of 2020 have been reviewed by Ernst & Young, certified public accountants, as stated in their report appearing herein. Our unaudited interim condensed consolidated financial information for the six months ended and as of June 30, 2019 are included as comparative information within the unaudited interim condensed financial information for the six months ended and as of June 30, 2020. Our unaudited condensed consolidated financial information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated January 6, 2021.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes 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 (being 9:00 am to 3:00 pm) on any weekday (except public holidays) at the corporate trust office of the Trustee which at the date of this offering memorandum is at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, 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, may be obtained during normal business hours on any weekday (except public holidays) at the principal 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	XS2281324389
Common Code	228132438

LISTING OF THE NOTES

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Notes by way of debt issues to 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 offering memorandum. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or quality of disclosure in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

INDEX TO FINANCIAL INFORMATION

Condensed consolidated financial statements 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, 2016, 2017 and 2018 and the four months ended April 30, 2019[(1)]

Note:

(1) The attached accountants' report on our combined financial information as of and for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 is a reproduction of Appendix I to the prospectus for our initial public offering dated November 12, 2019.

INDEPENDENT REVIEW REPORT

To the board of directors of Sinic Holdings (Group) Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 43 to 76, which comprises the condensed consolidated statement of financial position of Sinic 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.

Certified Public Accountants
Hong Kong

28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	*4*	**8,703,375**	6,983,191
Cost of sales		**(6,073,523)**	(4,672,995)
Gross profit		**2,629,852**	2,310,196
Finance income		**58,482**	12,892
Other income and gains	*4*	**36,696**	11,900
Selling and distribution expenses		**(365,978)**	(351,054)
Administrative expenses		**(243,110)**	(256,804)
Other expenses		**(9,498)**	(11,642)
Fair value gains on investment properties	*10*	**148,507**	133,780
Fair value gains/(losses) on financial assets at fair value through profit or loss		**31,051**	(63,632)
Fair value gains on financial liabilities at fair value through profit or loss		**40**	105
Finance costs	*6*	**(286,455)**	(293,615)
Share of profits and losses of:			
Joint ventures		**(17,241)**	86,305
Associates		**116,427**	57,088
PROFIT BEFORE TAX	*5*	**2,098,773**	1,635,519
Income tax expense	*7*	**(1,227,762)**	(1,141,255)
PROFIT FOR THE PERIOD		**871,011**	494,264
Attributable to:			
Owners of the parent		**822,045**	449,061
Non-controlling interests		**48,966**	45,203
		871,011	494,264
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*9*	**RMB0.23**	RMB0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**871,011**	494,264
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(55,705)**	(8,657)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(55,705)**	(8,657)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(55,705)**	(8,657)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**815,306**	485,607
Attributable to:		
Owners of the parent	**766,340**	440,404
Non-controlling interests	**48,966**	45,203
	815,306	485,607

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**78,989**	91,349
Right-of-use assets		**65,148**	70,866
Investment properties	*11*	**2,293,200**	1,751,200
Intangible assets		**26,756**	25,196
Investments in joint ventures		**7,719,733**	5,992,646
Investments in associates		**7,702,844**	7,231,927
Deferred tax assets		**2,284,787**	2,162,741
Other non-current assets		**961,169**	1,034,122
Total non-current assets		**21,132,626**	18,360,047
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**514,963**	281,795
Properties under development		**49,105,820**	48,908,306
Completed properties held for sale		**2,218,729**	2,881,983
Trade receivables	*12*	**28,870**	20,872
Due from related companies	*22*	**5,700,128**	4,796,093
Prepayments, other receivables and other assets		**5,958,220**	4,055,067
Tax recoverable		**357,127**	320,818
Restricted cash	*13*	**4,122,575**	5,749,309
Pledged deposits	*13*	**377,629**	290,522
Cash and cash equivalents	*13*	**13,242,754**	10,558,738
Total current assets		**81,626,815**	77,863,503
CURRENT LIABILITIES			
Trade and bills payables	*14*	**6,428,535**	5,457,196
Other payables and accruals		**3,137,839**	3,470,586
Dividend payables	*8*	**464,124**	–
Contract liabilities		**34,882,506**	34,231,211
Due to related companies	*22*	**7,138,786**	5,957,364
Interest-bearing bank and other borrowings	*15*	**10,019,449**	10,208,923
Senior notes	*16*	**2,028,008**	812,145
Corporate bonds	*17*	**621,816**	624,072
Lease liabilities		**29,017**	30,629
Financial liabilities at fair value through profit or loss		**458**	498
Tax payable		**5,876,373**	5,467,328
Total current liabilities		**70,626,911**	66,259,952
NET CURRENT ASSETS		**10,999,904**	11,603,551
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,132,530**	29,963,598

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**13,897,528**	14,521,275
Senior notes	*16*	**1,448,251**	–
Corporate bonds	*17*	**416,263**	406,552
Lease liabilities		**22,577**	29,483
Deferred tax liabilities		**195,995**	110,554
Total non-current liabilities		**15,980,614**	15,067,864
Net assets		**16,151,916**	14,895,734
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**31,958**	31,958
Reserves		**8,438,794**	8,135,050
		8,470,752	8,167,008
Non-controlling interests		**7,681,164**	6,728,726
Total equity		**16,151,916**	14,895,734

Mr. Zhang Yuanlin
Director

Ms. Tu Jing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 18									
At 1 January 2020 (audited)	**31,958**	**1,940,877**	**3,750,716**	**8,189**	**283,236**	**(95,177)**	**2,247,209**	**8,167,008**	**6,728,726**	**14,895,734**
Profit for the period	–	–	–	–	–	–	**822,045**	**822,045**	**48,966**	**871,011**
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	**(55,705)**	–	**(55,705)**	–	**(55,705)**
Total comprehensive income for the period	–	–	–	–	–	**(55,705)**	**822,045**	**766,340**	**48,966**	**815,306**
Acquisition of a non-controlling interest	–	–	–	**1,528**	–	–	–	**1,528**	**(1,528)**	–
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	**905,000**	**905,000**
Dividends and distributions	–	**(464,124)**	–	–	–	–	–	**(464,124)**	–	**(464,124)**
As at 30 June 2020 (unaudited)	**31,958**	**1,476,753**	**3,750,716**	**9,717**	**283,236**	**(150,882)**	**3,069,254**	**8,470,752**	**7,681,164**	**16,151,916**

	Attributable to owners of the parent									
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	–	–	3,716,600	–	195,668	(45,658)	377,014	4,243,624	816,644	5,060,268
Profit for the period	–	–	–	–	–	–	449,061	449,061	45,203	494,264
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(8,657)	–	(8,657)	–	(8,657)
Total comprehensive income for the period	–	–	–	–	–	(8,657)	449,061	440,404	45,203	485,607
Acquisition of non-controlling interests	–	–	–	8,188	–	–	–	8,188	(98,176)	(89,988)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	409,687	409,687
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	1,046,000	1,046,000
At 30 June 2019 (unaudited)	–	–	3,716,600	8,188	195,668	(54,315)	826,075	4,692,216	2,219,358	6,911,574

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,098,773**	1,635,519
Adjustments for:			
Depreciation of items of property, plant and equipment	*5*	**12,403**	11,069
Amortisation of land use rights	*5*	**384**	384
Depreciation of other right-of-use assets	*5*	**11,833**	12,277
Amortisation of intangible assets	*5*	**1,859**	410
Net gains on disposal of items of property, plant and equipment	*4,10*	**(323)**	–
Gains on bargain purchase	*4*	**–**	(2,730)
Net gains on disposal of subsidiaries	*4,19*	**(9,857)**	–
Share of profits and losses of:			
Joint ventures		**17,241**	(86,305)
Associates		**(116,427)**	(57,088)
Fair value (gains)/losses on financial assets at fair value through profit or loss		**(31,051)**	63,632
Fair value gains on financial liabilities at fair value through profit or loss		**(40)**	(105)
Fair value gains on investment properties	*11*	**(148,507)**	(133,780)
Finance costs	*6*	**286,455**	293,615
Interest income		**(58,482)**	(12,892)
Decrease/(increase) in properties under development and completed properties held for sale		**1,317,338**	(4,936,776)
Decrease/(increase) in restricted cash		**1,626,734**	(2,502,462)
Increase in pledged deposits		**(87,107)**	(81,716)
Increase in trade receivables		**(7,998)**	(5,842)
Increase in prepayments, other receivables and other assets		**(1,953,154)**	(4,360,653)
Decrease in other non-current assets		**93,130**	221,509
Increase in trade and bills payables		**971,339**	2,625,380
(Decrease)/increase in other payables and accruals		**(146,528)**	2,282,664
Increase in contract liabilities		**331,020**	6,254,888
Decrease in amounts due from related companies		**–**	6,586
Decrease in amounts due to related companies		**(174,274)**	(32,654)
Cash generated from operations		**4,034,761**	1,194,930
Interest received		**55,198**	112,786
Interest paid		**(1,218,457)**	(1,328,166)
Tax paid		**(891,631)**	(941,241)
Net cash flows generated from/(used in) operating activities		**1,979,871**	(961,691)

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		**(736)**	(5,758)
Purchase of intangible assets		**(3,419)**	(34)
Additions in investment properties		**(76,592)**	(123,106)
Acquisition of subsidiaries		**–**	(518,268)
Acquisition of financial assets at fair value through profit or loss		**(202,117)**	–
Disposal of subsidiaries	19	**29,449**	–
Investments in joint ventures		**(1,744,328)**	(2,302,836)
Investments in associates		**(354,491)**	(1,604,761)
Advance to third parties		**–**	879,004
Disposal of items of property, plant and equipment		**863**	78
Net cash flows used in investing activities		**(2,351,371)**	(3,675,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		**905,000**	1,046,000
Advances from related companies	22	**4,782,900**	9,565,549
Repayment of advances from related companies	22	**(3,427,204)**	(8,063,945)
Advances to related companies	22	**(1,935,226)**	(14,290,818)
Repayment of advances to related companies	22	**1,031,191**	9,285,990
Payment of lease liabilities		**(16,304)**	(14,472)
Proceeds from interest-bearing bank and other borrowings		**7,182,686**	11,165,999
Repayment of interest-bearing bank and other borrowings		**(7,995,907)**	(7,608,811)
Proceeds from issue of corporate bonds		**–**	415,674
Proceeds from issue of senior notes		**3,391,143**	–
Repayment of senior notes		**(823,772)**	–
Net cash flows generated from financing activities		**3,094,507**	1,501,166
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,723,007**	(3,136,206)
Cash and cash equivalents at beginning of period		**10,558,738**	7,083,520
Effect of foreign exchange rates, net		**(38,991)**	(8,657)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**13,242,754**	3,938,657
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	**17,742,958**	9,504,881
Less: Restricted cash	13	**4,122,575**	5,125,609
Pledged deposits	13	**377,629**	440,615
Cash and cash equivalents as stated in the statement of cash flows		**13,242,754**	3,938,657

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2019. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2020, the Group was involved in property development, property leasing and project management services.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Xin Hong Company Limited, which is incorporated in the British Virgin Islands.

2.1 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 consolidated financial statements included in the Group's annual consolidated financial statements as at 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed 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*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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.

(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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised IFRSs are described below: (Continued)

(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.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there were no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020 was insignificant.

(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.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing by project locations for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceed 10% of the Group's consolidated revenue, net profit or total assets, respectively. As the economic characteristics are similar in all the locations, where the nature of property development and leasing and commercial property management is similar, as well as the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, and thus 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

There was no single customer or a group of customers under common control which had contributed 10% or more of the Group's revenue during the reporting period.

4. 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	**8,698,873**	6,977,215
Revenue from other sources		
Rental income	**4,502**	5,976
	8,703,375	6,983,191
Disaggregated revenue information for revenue from contracts with customers		
Types of goods or services:		
Sale of properties	**8,410,397**	6,920,657
Project management services	**270,196**	55,051
Other consulting services	**18,280**	1,507
Total revenue from contracts with customers	**8,698,873**	6,977,215
Timing of revenue recognition:		
Properties transferred at a point in time	**7,276,166**	5,883,738
Properties transferred over time	**1,134,231**	1,036,919
Services transferred over time	**288,476**	56,558
Total revenue from contracts with customers	**8,698,873**	6,977,215
An analysis of other income and gains is as follows:		
Other income and gains		
Net gains on disposal of subsidiaries	**9,857**	–
Gains on bargain purchase	**–**	2,730
Exchange gains	**16,714**	–
Forfeiture of deposits	**7,054**	7,368
Government grants	**333**	136
Net gain on disposal of items of property, plant and equipment	**323**	–
Others	**2,415**	1,666
	36,696	11,900

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**5,974,650**	4,652,796
Cost of services provided	**98,873**	20,199
Depreciation of items of property, plant and equipment	**12,403**	11,069
Depreciation of other right-of-use assets	**11,833**	12,277
Amortisation of land use rights	**384**	384
Amortisation of intangible assets	**1,859**	410
Rental expenses	**9,442**	9,664
Auditors' remuneration	**2,600**	1,650
Impairment losses/(reversal of impairment losses) on financial assets	**138**	(873)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**126,833**	131,401
Pension scheme contributions and social welfare	**14,736**	18,063

6. 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 loans and borrowings	**1,155,578**	1,241,744
Interest on lease liabilities	**1,127**	1,922
Interest expense arising from revenue contracts	**320,275**	157,730
Total interest expense on financial liabilities not at fair value through profit or loss	**1,476,980**	1,401,396
Less: Interest capitalized	**(1,190,525)**	(1,107,781)
	286,455	293,615

Notes to Interim Condensed Consolidated Financial Information

7. 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 and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the six months ended 30 June 2020 and 2019.

Subsidiaries of the Group operating in Mainland China were subject to the People's Republic of China ("PRC") corporate income tax ("CIT") at a rate of 25% for the reporting period.

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 sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. In addition, these subsidiaries in Jiangxi province were subject to LAT which is calculated based on 10% of their revenue in accordance with "No. 1 (2017) Announcement of Jiangxi tax bureau". 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:		
PRC CIT	**785,494**	731,534
PRC LAT	**490,767**	697,401
Deferred tax	**(48,499)**	(287,680)
Total tax charge for the period	**1,227,762**	1,141,255

8. DIVIDENDS

The proposed 2019 final dividend of RMB13.00 cents (equivalent to approximately HK14.16 cents) per share, totalling RMB464,124,000 (equivalent to approximately HK$505,538,479), was approved by the Group's shareholders at the annual general meeting on 5 June 2020. As at 30 June 2020, the abovementioned declared dividend was recorded in dividend payables and HK$104,660,000 was paid on 31 July 2020.

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9. 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 RMB822,045,000 (six months ended 30 June 2019: RMB449,061,000), and the weighted average number of ordinary shares of 3,570,187,000 (six months ended 30 June 2019: 2,999,999,325) in issue during the reporting 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 potentially dilutive ordinary shares in issue during the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB736,000 (30 June 2019: RMB5,758,000).

Assets with a net book value of RMB540,000 were disposed of by the Group during the six months ended 30 June 2020 (30 June 2019: RMB78,000), resulting in a net gains on disposal of RMB323,000 (30 June 2019: nil), excluding property, plant and equipment disposed through disposal of subsidiaries disclosed in note 19 to the interim condensed consolidated financial information.

11. INVESTMENT PROPERTIES

	Under construction RMB'000	**Completed** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2019	687,000	466,030	1,153,030
Additions	314,454	–	314,454
Transferred from completed properties held for sale	–	118,930	118,930
Transfer	(343,997)	343,997	–
Fair value gains on investment properties	93,343	71,443	164,786
Carrying amount at 31 December 2019 and 1 January 2020	750,800	1,000,400	1,751,200
Additions	76,592	–	76,592
Transferred from properties under development	178,739	–	178,739
Transferred from completed properties held for sale	–	138,162	138,162
Fair value gains on investment properties	105,669	42,838	148,507
Carrying amount at 30 June 2020	1,111,800	1,181,400	2,293,200

Notes to Interim Condensed Consolidated Financial Information

11. INVESTMENT PROPERTIES (Continued)

The Group's investment properties as at 30 June 2020 were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB2,293,200,000 (31 December 2019: RMB1,751,200,000) on an open market, existing use basis.

As at 30 June 2020, the Group's investment properties with an aggregate carrying amount of approximately RMB889,400,000 (31 December 2019: RMB750,800,000) were pledged to secure bank and other borrowings granted to the Group (note 15).

The fair value measurement hierarchy of the Group's investment property is at Level 3 and the significant unobservable key inputs of the valuation techniques are estimated rental value, capitalization rate, expected gross margin and unit accommodation price, etc.

The fair value of completed commercial properties was 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 capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

The fair value of commercial properties under construction was determined using the cost method with reference to the market value of land use right plus the construction cost incurred so far.

The higher market value of land use right would result in the higher fair value of the investment properties under construction. The higher expected gross margin/market value of land use right would result in the higher fair value of the investment properties under construction.

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.

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)
Within 1 year	**28,870**	20,872
Over 1 year	**–**	–
	28,870	20,872

13. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	**17,742,958**	16,598,569
Less: Restricted cash	**4,122,575**	5,749,309
Pledged deposits	**377,629**	290,522
Cash and cash equivalents	**13,242,754**	10,558,738
Denominated in RMB	**12,441,148**	9,772,241
Denominated in US$	**742,099**	30,470
Denominated in HK$	**59,507**	756,027
	13,242,754	10,558,738

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use. As at 30 June 2020, such restricted cash amounted to RMB3,198,206,000 (31 December 2019: RMB3,806,383,000). As at 30 June 2020, restricted cash included time deposits amounting to RMB924,359,000 (31 December 2019: RMB1,718,390,000), which would mature in more than three months when acquired by the Group and earn interest at the time deposit rates. As at 30 June 2020, the restricted cash included construction loan mortgage amounting to RMB10,000 (31 December 2019: RMB224,353,000). As at 30 June 2020, restricted cash amounting to nil was frozen by the People's court due to lawsuits (31 December 2019: RMB183,000).

Notes to Interim Condensed Consolidated Financial Information

13. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

As at 30 June 2020, bank deposits of RMB377,629,000 (31 December 2019: RMB261,574,000) were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes. Bank deposits of nil were pledged as security for bank and other borrowings (31 December 2019: RMB28,948,000).

14. TRADE AND BILLS PAYABLES

An aging analysis of the Group's 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)
Within 1 year	**6,362,000**	5,434,386
Over 1 year	**66,535**	22,810
	6,428,535	5,457,196

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Other loans – secured	**1,031,397**	2,357,686
Other loans – unsecured	**1,667,142**	741,242
Current portion of long term bank loans – secured	**3,989,233**	3,550,410
Current portion of long term other loans – secured	**3,331,677**	3,559,585
	10,019,449	10,208,923
Non-current		
Bank loans – secured	**8,582,823**	7,823,160
Other loans – secured	**5,314,705**	6,698,115
	13,897,528	14,521,275
	23,916,977	24,730,198

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	**3,989,233**	3,550,410
In the second year	**5,614,373**	4,513,400
In the third to fifth years, inclusive	**2,968,450**	3,309,760
	12,572,056	11,373,570
Other borrowings repayable		
Within one year	**6,030,216**	6,658,513
In the second year	**4,934,705**	6,483,115
In the third to fifth years, inclusive	**380,000**	215,000
	11,344,921	13,356,628
	23,916,977	24,730,198

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 the reporting period as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets at fair value through profit or loss	**–**	105,678
Investment properties (note 11)	**889,400**	750,800
Properties under development	**34,634,824**	25,636,686
Completed properties held for sale	**389,468**	678,006
Pledged deposits (note 13)	**–**	28,948

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.

As at 30 June 2020, the non-controlling shareholders of the Group's subsidiaries have guaranteed certain of the Group's bank loans amounting to RMB623,310,000 (31 December 2019: RMB253,000,000).

As at 30 June 2020, 常州弘陽廣場置地有限公司 ("Changzhou Hongyang Plaza Properties Co., Ltd.") has pledged 50% shares in 襄陽新城悅隆房地產開發有限公司 ("Xiangyang Xincheng Yuelong") for certain of the Group's bank loans amounting to RMB480,000,000. The above-mentioned bank and other borrowings were also secured by Xiangyang Xincheng Yuelong's properties under development.

As at 31 December 2019, a third party 江西山葉實業有限公司 ("Jiangxi Shanye Industrial Co., Ltd.") has pledged its 100% shares in Xiangyang Xincheng Yuelong for certain of the Group's bank and other borrowings up to RMB480,000,000. The above-mentioned bank and other borrowings were also secured by Xiangyang Xincheng Yuelong's properties under development.

As at 30 June 2020, 武漢福瑞德成房地產開發有限公司 ("Wuhan Furui Decheng Real Estate Development Co., Ltd.") has guaranteed certain of the Group's bank loans up to RMB1,041,600,000.

As at 30 June 2020, a third party 四川宏祥興盛貿易有限公司 ("Sichuan Hong Xiang Xing Sheng Trading Co., Ltd.") has pledged its 100% shares in 成都力進房地產開發有限公司 ("Chengdu Lijin Real Estate Development Co., Ltd.") for certain of the Group's bank and other borrowings up to RMB200,000,000 (31 December 2019: nil).

16. SENIOR NOTES

Name of senior notes	1 January 2020 Opening balance RMB'000	Issued in 2020 RMB'000	Interest expense RMB'000	Payment RMB'000	30 June 2020 Closing balance RMB'000 (Unaudited)
Senior notes due 2020 ("2020 Notes")	**812,145**	**–**	**28,544**	**(840,689)**	**–**
Senior notes due 2021 ("2021 Notes") (note 1)	**–**	**1,942,892**	**79,912**	**–**	**2,022,804**
Senior notes due 2022 ("2022 Notes") (note 2)	**–**	**1,448,251**	**5,204**	**–**	**1,453,455**
					3,476,259
Analysed into:					
Non-current portion					**1,448,251**
Current portion					**2,028,008**

Name of senior notes	1 January 2019 Opening balance RMB'000	Issued in 2019 RMB'000	Interest expense RMB'000	Payment RMB'000	31 December 2019 Closing balance RMB'000 (Audited)
2020 Notes	–	1,161,300	39,600	(388,755)	812,145
Analysed into:					
Non-current portion					–
Current portion					812,145

Note 1: On 10 March 2020, the Company issued senior notes with a principal amount of US$280,000,000 due in 2021. The senior notes bear interest at 11.75% per annum which is payable semi-annually in arrears. The repayment date of the senior notes is 10 March 2021. At any time prior to maturity, the Company may at its option redeem the senior notes at a predetermined redemption price.

Note 2: On 18 June 2020, the Company issued senior notes with a principal amount of US$210,000,000 due in 2022. The senior notes bear interest at 10.5% per annum which is payable semi-annually in arrears. The repayment date of the senior notes is 18 June 2022. At any time prior to maturity, the Company may at its option redeem the senior notes at a predetermined redemption price. The directors of the Company are of the opinion that they have no plan to redeem the 2022 Notes prior to 30 June 2021.

17. CORPORATE BONDS

Name of bonds	1 January 2020 Opening balance RMB'000	Issued in 2020 RMB'000	Interest expense RMB'000	Payment RMB'000	30 June 2020 Closing balance RMB'000 (Unaudited)
Sinic Bond I	**317,366**	**–**	**12,483**	**–**	**329,849**
Sinic Bond II	**275,431**	**–**	**10,556**	**–**	**285,987**
Sinic Bond III	**437,827**	**–**	**15,691**	**(31,275)**	**422,243**
	1,030,624	**–**	**38,730**	**(31,275)**	**1,038,079**

Name of bonds	1 January 2019 Opening balance RMB'000	Issued in 2019 RMB'000	Interest expense RMB'000	Payment RMB'000	31 December 2019 Closing balance RMB'000 (Audited)
Sinic Bond I	317,075	–	25,018	(24,727)	317,366
Sinic Bond II	274,995	–	21,136	(20,700)	275,431
Sinic Bond III	–	415,674	22,153	–	437,827
	592,070	415,674	68,307	(45,427)	1,030,624

As at the end of the reporting period, the Group's corporate bonds were repayable as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Repayable within one year	**621,816**	624,072
Repayable within two to five years	**416,263**	406,552
	1,038,079	1,030,624

18. SHARE CAPITAL

Shares

	30 June 2020 HK$ (Unaudited)	31 December 2019 HK$ (Audited)
Issued and fully paid:		
3,570,187,000 (2019: 3,570,187,000) ordinary shares of HK$0.01 each (2019: HK$0.01 each)	**35,701,870**	35,701,870

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2019, 1 January 2020 and at 30 June 2020	**3,570,187,000**	31,958

19. DISPOSAL OF SUBSIDIARIES

(a) 安徽新創房地產開發有限公司 ("Anhui Xinchuang")

Pursuant to the share transfer agreement dated 11 September 2019, the Group completed to dispose of its 50% equity interest in 安徽新創房地產開發有限公司 ("Anhui Xinchuang"), together with its subsidiary 合肥新城悦弘房地產開發有限公司 to 安徽弘瀚房地產開發有限公司 ("Anhui Honghan"), an independent third party of the Group, for a consideration of RMB65,000,000 on 9 April 2020. Upon the completion of the share transfer, the Group lost control over Anhui Xinchuang and Anhui Xinchuang became a joint venture of the Group thereafter. The consideration was determined by reference to the fair value of the equity interest disposed of at the date of the disposal.

19. DISPOSAL OF SUBSIDIARIES (Continued)

(a) 安徽新創房地產開發有限公司 ("Anhui Xinchuang") (Continued)

The carrying values of the assets and liabilities of Anhui Xinchuang on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	117
Properties under development	1,259,499
Prepayments, other receivables and other assets	2,514
Deferred tax assets	4,964
Cash and cash equivalents	35,467
Other payables and accruals	(23,851)
Contract liabilities	(119,310)
Interest-bearing bank and other borrowings	(1,039,990)
Deferred tax liabilities	(1,136)
	118,274
Gain on disposal of Anhui Xinchuang	11,726
	130,000
50.00% of equity interest in Anhui Xinchuang	65,000
Satisfied by cash	65,000

An analysis of the cash flows of cash and cash equivalents in respect of the disposal of Anhui Xinchuang is as follows:

	RMB'000
Cash consideration	65,000
Cash and cash equivalents of Anhui Xinchuang disposed of	(35,467)
Net inflow of cash and cash equivalents in respect of the disposal of Anhui Xinchuang	29,533

19. DISPOSAL OF SUBSIDIARIES (Continued)

(b) 湖南新林房地產開發有限公司 ("Hunan Xinlin")

Pursuant to the share transfer agreement dated 31 May 2020, the Group disposed of its 100% equity interest in 湖南新林房地產開發有限公司 ("Hunan Xinlin"), together with its subsidiary 湖南悦禧置業有限公司 to 長沙聚昂房地產開發有限公司, an independent third party of the Group, for a consideration of RMB250,000,000. The consideration was determined by reference to the fair value of the equity interest disposed of as at the date of the disposal.

The carrying values of the assets and liabilities of Hunan Xinlin on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	36
Properties under development	320,524
Prepayments, other receivables and other assets	8,009
Deferred tax assets	4,568
Cash and cash equivalents	84
Other payables and accruals	(81,352)
	251,869
Loss on disposal of Hunan Xinlin	(1,869)
	250,000
Disposal consideration outstanding and included in other receivables	250,000

An analysis of the cash flows of cash and cash equivalents in respect of the disposal of Hunan Xinlin is as follows:

	RMB'000
Cash and cash equivalents of Hunan Xinlin disposed of	(84)
Net outflow of cash and cash equivalents in respect of the disposal of Hunan Xinlin	(84)

20. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

		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)	**29,906,357**	27,964,704
Guarantees given to banks and other institutions in connection with facilities granted to related companies and third parties	(2)	**8,267,651**	8,633,382

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the 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 the 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 financial facilities granted to the related companies and third parties. The directors of the Company consider that no provision is needed in respect of the guarantees since the fair value is not significant. Further details are included in note 22.

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 no provided for:		
– Properties under development	**16,225,023**	16,202,939
– Acquisition of equity interests	**1,309,704**	2,069,468
– Acquisition of land use right	**3,273,872**	–
– Capital contributions payable to joint ventures and associates	**4,755,240**	713,300
	25,563,839	18,985,707

22. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Advances from related companies:		
Joint ventures	**2,344,477**	2,326,732
Associates	**408,504**	461,464
Companies controlled by the Controlling Shareholder	**2,029,919**	6,394,868
Companies owned by a family member of the Controlling Shareholder	**–**	369,602
Companies over which the Controlling Shareholder has significant influence	**–**	12,883
Repayment of advances from related companies:		
Joint ventures	**1,637,364**	926,566
Associates	**895,109**	135,482
Companies controlled by the Controlling Shareholder	**870,162**	6,394,868
Companies owned by a family member of the Controlling Shareholder	**–**	594,146
Companies over which the Controlling Shareholder has significant influence	**24,569**	12,883
Advances to related companies:		
Joint ventures	**1,364,683**	5,953,013
Associates	**570,543**	108,305
Companies controlled by the Controlling Shareholder	**–**	7,047,327
Companies owned by a family member of the Controlling Shareholder	**–**	1,118,895
Companies over which the Controlling Shareholder has significant influence	**–**	63,278

Notes to Interim Condensed Consolidated Financial Information

22. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Repayment of advances to related companies:		
Joint ventures	**895,072**	2,660,974
Associates	**136,119**	294,482
Companies controlled by the Controlling Shareholder	**–**	5,177,836
Companies owned by a family member of the Controlling Shareholder	**–**	1,119,012
Companies over which the Controlling Shareholder has significant influence	**–**	33,686
Construction services provided by companies controlled by a family member of the Controlling Shareholder	**650,313**	741,185
Miscellaneous purchases from a company controlled by the Controlling Shareholder	**7,487**	3,501
Property management services provided by companies controlled by the Controlling Shareholder	**136,706**	91,055
Management consulting services provided by companies controlled by the Controlling Shareholder	**–**	53,123
Project management services provided to joint ventures and associates	**23,797**	–
Sales to a family member of the Controlling Shareholder	**–**	19,372

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees provided to related parties:		
Joint ventures	**7,808,421**	3,662,942
Associates	**409,230**	741,740
Guarantees provided by related parties:		
Joint ventures	**1,521,600**	–

(c) Outstanding balances with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related companies:		
Non trade-related:		
Joint ventures	**4,198,351**	3,728,740
Associates	**1,501,777**	1,067,353
Due to related companies:		
Trade-related:		
Companies controlled by the Controlling Shareholder	**47,359**	–
Companies owned by a family member of the Controlling Shareholder	**55,805**	277,438
Due to related companies:		
Non trade-related:		
Joint ventures	**4,915,678**	4,208,565
Associates	**802,408**	1,289,013
Companies controlled by the Controlling Shareholder	**1,317,536**	157,779
Companies over which the Controlling Shareholder has significant influence	**–**	24,569

22. RELATED PARTY TRANSACTIONS (Continued)

(d) 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	**8,519**	5,086
Pension scheme contributions and social welfare	**204**	311
Total compensation paid to key management personnel	**8,723**	5,397

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 fair value through profit or loss	**514,963**	281,795	**514,963**	281,795
Financial liabilities				
Financial liabilities at FVTPL	**458**	498	**458**	498
Interest-bearing bank and other borrowings	**23,916,977**	24,730,198	**23,933,947**	24,748,986
Corporate bonds	**1,038,079**	1,030,624	**1,010,557**	1,013,231
Senior notes	**3,476,259**	812,145	**3,469,946**	876,738
	28,431,773	26,573,465	**28,414,908**	26,639,453

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and amounts due from/to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee 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 and senior notes 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 and senior notes as at 31 December 2019 and 30 June 2020 was assessed to be insignificant.

The fair values of corporate bonds are based on quoted market prices.

Notes to Interim Condensed Consolidated Financial Information

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020:

	Valuation technique	Significant unobservable input	Rate	Sensitivity of fair value to the input
Financial liabilities at FVTPL	Scenario based method	Discount rate	15%	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB7,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2020				
Financial assets at fair value through profit or loss	**514,963**	**–**	**–**	**514,963**
As at 31 December 2019				
Financial assets at fair value through profit or loss	281,795	–	–	281,795

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2020				
Financial liabilities at fair value through profit or loss	**–**	**–**	**458**	**458**
As at 31 December 2019				
Financial liabilities at fair value through profit or loss	–	–	498	498

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 financial liabilities (six months ended 30 June 2019: Nil).

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2020				
Interest-bearing bank and other borrowings	**–**	**23,933,947**	**–**	**23,933,947**
Corporate bonds	**1,010,557**	**–**	**–**	**1,010,557**
Senior notes	**3,469,946**	**–**	**–**	**3,469,946**
	4,480,503	**23,933,947**	**–**	**28,414,450**
As at 31 December 2019				
Interest-bearing bank and other borrowings	–	24,748,986	–	24,748,986
Corporate bonds	1,013,231	–	–	1,013,231
Senior notes	–	876,738	–	876,738
	1,013,231	25,625,724	–	26,638,955

24. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2020, Sinic Real Estate Group Co., Ltd. ("Sinic Real Estate") issued asset-backed securities with a principal amount of RMB516,000,000 due in 2021. The A level and B level asset-backed securities bear interest at 6.00% and 7.00% per annum. The maturity date of the asset-backed securities is 3 August 2021. Sinic Real Estate subscribed RMB26,000,000 of subordinated asset-backed securities.

There has been an outbreak of COVID-19 around the world. The management of the Company believe that, based on the information available as of the date of approval of the interim financial information, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or material impact on the financial position or financial performance of the Group.

It is uncertain when and whether COVID-19 could be contained globally. The above analysis is made by the management of the Company based on the currently available information concerning COVID-19. The management of the Company cannot assure that the outbreak of COVID-19 will not further escalate or have a material adverse effect on the Group's results of operations.

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 28 August 2020.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sinic Holdings (Group) Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sinic Holdings (Group) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 92 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.

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 MATTERS (continued)

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 was recognised over time when the Group's performance under a sales contract did not create an asset with an alternative use to the Group and the Group had an enforceable right to payment for performance completed to date; otherwise, the revenue was recognised at a point in time when the customer obtained control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB26,806,590,000 of which RMB1,200,395,000 was recognised over time. The Group might 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 did not have an alternative use to the Group. Significant management's judgements were involved in determining whether there was an enforceable right to payment which depended on the terms of a sales contract and the interpretation of the applicable laws that applied to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management used 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 obtained an understanding of and evaluated management's process and procedures in identifying sales contracts with or without right to payment. We have reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms; We have 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 We have assessed the competence, experience and objectivity of the legal counsel engaged by the management. 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 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 on a sample basis;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time (continued)	
In addition, for the revenue from sales of properties recognised over time, the Group recognised revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress was 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 allocated common costs based on types of properties and saleable floor areas. Significant judgements and estimations were 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 was considered a key audit matter. The Group's accounting policies and disclosures of the recognition of revenue from sales of properties over time were disclosed in note 2.4, note 3, and note 5 to the consolidated financial statements.	We have obtained an understanding of the internal controls over the generation of cost data of the projects and property units, evaluated and tested them on a sample basis; We have assessed the reasonableness of the basis for the allocation of common costs among project units on a sample basis; We have 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 on a sample basis; We have compared the estimated total development costs of the projects and property units under development to the budget approved by management on a sample basis; We have tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable on a sample basis; and We have checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit on a sample basis. We also assessed the disclosures related to recognition of revenue from sales of properties over time in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax	
The Group was 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 was one of the main components of the Group's taxation charge. LAT was levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. As at 31 December 2019, management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. Provision for LAT in mainland China was significant to the consolidated financial statements and involved significant management's judgement and interpretation of the relevant tax rate. Accordingly, provision for LAT was identified as a key audit matter. The accounting policies and disclosures of the provision for land appreciation tax were disclosed in note 2.4, note 3 and note 10 to the consolidated financial statements.	We have assessed and evaluated the design and operating effectiveness of the key controls of management in calculation of the provision for land appreciation tax. We have 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 applying our local knowledge and experience. We have also recalculated the tax computation and compared our calculations with the amounts recorded by the Group. We have assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group owned investment properties in mainland China which were measured at fair value and their aggregate carrying amount was approximately RMB1,751,200,000 as at 31 December 2019, including completed investment properties and investment properties under construction. The Group engaged an external valuer to perform the valuations of these properties as at 31 December 2019. Significant judgement was required to determine the fair values of the investment properties, which reflected market conditions as at the end of the reporting period. The fair value of completed commercial properties was determined by using the income approach, which has taken into account the rental income of the properties derived from the existing and/or achievable leases in the existing market with due allowance for the reversionary income potential of the leases, and then applied appropriate capitalisation rate. The fair value of commercial properties under construction was determined by using the cost method, which has taken into account the market value of land use right plus the construction cost incurred so far and applied appropriate gross margin. Changes in these assumptions would have significant effects on the valuation of investment properties. Accordingly, the valuation of investment properties was identified as a key audit matter. The accounting policies and disclosures of the investment properties were disclosed in note 2.4, note 3 and note 14 to the consolidated financial statements.	We have assessed and evaluated the design and operating effectiveness of the key controls of management in valuation of investment properties. We have evaluated the competency, independence and objectivity of the external valuer. We understood the valuation approach and key assumptions used by the external valuer. We have assessed the correctness of the property related data used as inputs for the valuations and involved our internal valuation experts to assist us in evaluating the valuation methodology and the underlying assumptions. We have evaluated the source data used in the valuation by benchmarking them to relevant market information on a sample basis. We have assessed the disclosures related to the valuation of investment properties in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 SIU FUNG TERENCE HO.

Ernst & Young

Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
REVENUE	5	**26,984,943**	8,415,653
Cost of sales		**(18,986,406)**	(5,272,657)
Gross profit		**7,998,537**	3,142,996
Finance income		**47,178**	105,680
Other income and gains	5	**105,627**	5,945
Selling and distribution expenses		**(1,076,736)**	(657,597)
Administrative expenses		**(568,787)**	(430,192)
Other expenses		**(27,239)**	(46,219)
Fair value gains on investment properties	14	**164,786**	110,159
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(24,816)**	18,861
Fair value gains on financial liabilities at fair value through profit or loss		**121**	242
Finance costs	7	**(456,397)**	(425,774)
Share of profits and losses of:			
Joint ventures		**62,257**	(9,466)
Associates		**39,493**	48,854
PROFIT BEFORE TAX	6	**6,264,024**	1,863,489
Income tax expense	10	**(4,249,750)**	(1,308,536)
PROFIT FOR THE YEAR		**2,014,274**	554,953
Attributable to:			
Owners of the parent		**1,957,763**	413,538
Non-controlling interests		**56,511**	141,415
		2,014,274	554,953
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	12	**RMB0.64**	RMB0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
PROFIT FOR THE YEAR	**2,014,274**	554,953
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(49,519)**	(93,916)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(49,519)**	(93,916)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(49,519)**	(93,916)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,964,755**	461,037
Attributable to:		
Owners of the parent	**1,908,244**	319,622
Non-controlling interests	**56,511**	141,415
	1,964,755	461,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**91,349**	114,340
Right-of-use assets	*15*	**70,866**	–
Investment properties	*14*	**1,751,200**	1,153,030
Intangible assets	*16*	**25,196**	5,911
Investments in joint ventures	*17*	**5,992,646**	3,866,086
Investments in associates	*18*	**7,231,927**	708,072
Long-term debt investments	*19*	**–**	564,062
Deferred tax assets	*20*	**2,162,741**	1,652,258
Other non-current assets	*26*	**1,034,122**	1,656,548
Total non-current assets		**18,360,047**	9,720,307
CURRENT ASSETS			
Financial assets at fair value through profit or loss	*21*	**281,795**	64,867
Properties under development	*22*	**48,908,306**	43,560,301
Completed properties held for sale	*23*	**2,881,983**	4,094,399
Trade receivables	*24*	**20,872**	–
Due from related companies	*43*	**4,796,093**	5,112,386
Prepayments, other receivables and other assets	*25*	**4,055,067**	4,558,824
Long-term debt investments	*19*	**–**	314,942
Tax recoverable		**320,818**	116,116
Restricted cash	*27*	**5,749,309**	2,623,147
Pledged deposits	*27*	**290,522**	358,899
Cash and cash equivalents	*27*	**10,558,738**	7,083,520
Total current assets		**77,863,503**	67,887,401
CURRENT LIABILITIES			
Trade and bills payables	*28*	**5,457,196**	3,142,262
Other payables and accruals	*29*	**3,470,586**	3,898,578
Contract liabilities	*30*	**34,231,211**	40,196,400
Due to related companies	*43*	**5,957,364**	1,400,187
Interest-bearing bank and other borrowings	*31*	**10,208,923**	9,224,964
Senior notes	*32*	**812,145**	–
Corporate bonds	*33*	**624,072**	–
Lease liabilities	*15*	**30,629**	–
Financial liabilities at fair value through profit or loss	*34*	**498**	619
Tax payable	*10*	**5,467,328**	1,686,313
Total current liabilities		**66,259,952**	59,549,323
NET CURRENT ASSETS		**11,603,551**	8,338,078
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,963,598**	18,058,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*31*	**14,521,275**	12,285,740
Corporate bonds	*33*	**406,552**	592,070
Lease liabilities	*15*	**29,483**	–
Deferred tax liabilities	*20*	**110,554**	120,307
Total non-current liabilities		**15,067,864**	12,998,117
Net assets		**14,895,734**	5,060,268
EQUITY			
Equity attributable to owners of the parent			
Share capital	*35*	**31,958**	–
Reserves	*36*	**8,135,050**	4,243,624
		8,167,008	4,243,624
Non-controlling interests		**6,728,726**	816,644
Total equity		**14,895,734**	5,060,268

Mr. Zhang YuanLin
Director

Mr. She Runting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital RMB'000 *Note 35*	Share premium RMB'000 *Note 36(a)*	Merger reserve RMB'000 *Note 36(b)*	Capital reserve RMB'000 *Note 36(c)*	Statutory surplus reserve RMB'000 *Note 36(d)*	Exchange fluctuation reserve RMB'000 *Note 36(e)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 and 1 January 2019	–	–*	3,716,600*	–*	195,668*	(45,658)*	377,014*	4,243,624	816,644	5,060,268
Profit for the year	–	–	–	–	–	–	1,957,763	1,957,763	56,511	2,014,274
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(49,519)	–	(49,519)	–	(49,519)
Total comprehensive income for the year	–	–	–	–	–	(49,519)	1,957,763	1,908,244	56,511	1,964,755
Issuance of new shares	31,958	1,940,877	–	–	–	–	–	1,972,835	–	1,972,835
Acquisition of non-controlling interests	–	–	–	8,189	–	–	–	8,189	(98,176)	(89,987)
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries	–	–	34,116	–	–	–	–	34,116	–	34,116
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	409,687	409,687
Disposal of subsidiaries *(note 40)*	–	–	–	–	–	–	–	–	(138,940)	(138,940)
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	5,683,000	5,683,000
Appropriations to statutory surplus reserve	–	–	–	–	87,568	–	(87,568)	–	–	–
At 31 December 2019	31,958	1,940,877*	3,750,716*	8,189*	283,236*	(95,177)*	2,247,209*	8,167,008	6,728,726	14,895,734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital RMB'000 Note 35	Share premium RMB'000 Note 36(a)	Merger reserve RMB'000 Note 36(b)	Capital reserve RMB'000 Note 36(c)	Statutory surplus reserve RMB'000 Note 36(d)	Exchange fluctuation reserve RMB'000 Note 36(e)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	–	–	3,716,600	–	67,110	48,258	92,034	3,924,002	670,823	4,594,825
Profit for the year	–	–	–	–	–	–	413,538	413,538	141,415	554,953
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(93,916)	–	(93,916)	–	(93,916)
Total comprehensive income for the year	–	–	–	–	–	(93,916)	413,538	319,622	141,415	461,037
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	4,405	4,405
Disposal of subsidiaries	–	–	–	–	–	–	–	–	1	1
Appropriations to statutory surplus reserve	–	–	–	–	128,558	–	(128,558)	–	–	–
At 31 December 2018	–	–*	3,716,600*	–*	195,668*	(45,658)*	377,014*	4,243,624	816,644	5,060,268

* These reserve accounts comprise the consolidated reserves of RMB8,135,050,000 (2018: RMB4,243,624,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,264,024**	1,863,489
Adjustments for:			
Depreciation of items of property, plant and equipment	*6,13*	**25,375**	19,435
Depreciation of right-of-use assets	*6,15*	**30,255**	–
Amortisation of intangible assets	*6,16*	**2,493**	820
Net gains on disposal of items of property, plant and equipment	*5*	**(78)**	(474)
Gains on bargain purchase	*5,39*	**(4,987)**	–
Net gains on disposal of subsidiaries	*5,40*	**(72,160)**	(1,187)
Share of profits and losses of:			
Joint ventures		**(62,257)**	9,466
Associates		**(39,493)**	(48,854)
Fair value losses/(gains) on financial assets at fair value through profit or loss		**24,816**	(18,861)
Fair value gains on financial liabilities at fair value through profit or loss		**(121)**	(242)
Fair value gains on investment properties	*14*	**(164,786)**	(110,159)
Finance costs	*7*	**456,397**	425,774
Interest income		**(47,178)**	(105,680)
Decrease/(increase) in properties under development and completed properties held for sale		**320,551**	(15,063,889)
Increase in restricted cash		**(3,126,162)**	(1,450,287)
Decrease/(increase) in pledged deposits		**68,377**	(125,597)
Increase in trade receivables		**(20,872)**	–
Decrease/(increase) in prepayments, other receivables and other assets		**897,390**	(3,275,158)
Decrease/(increase) in other non-current assets		**271,141**	(285,355)
Increase in trade and bills payables		**2,314,934**	676,799
(Decrease)/increase in other payables and accruals		**(1,611,987)**	1,828,039
(Decrease)/increase in contract liabilities		**(6,178,526)**	19,329,198
Decrease in amounts due from related companies		**27,914**	8,379
Increase in amounts due to related companies		**244,785**	30,428
Cash (used in)/generated from operations		**(380,155)**	3,706,084
Interest received		**147,072**	27,676
Interest paid		**(2,294,248)**	(934,323)
Tax paid		**(1,311,191)**	(1,074,510)
Net cash flows (used in)/generated from operating activities		**(3,838,522)**	1,724,927

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(17,409)**	(26,607)
Purchase of intangible assets		**(21,829)**	(459)
Additions in investment properties		**(314,454)**	(149,371)
Acquisition of subsidiaries		**(648,210)**	–
Acquisition of financial assets at fair value through profit or loss		**(241,744)**	(46,006)
Disposal of subsidiaries		**(348,472)**	–
Investments in joint ventures		**(2,064,303)**	(485,934)
Investments in associates		**(6,484,362)**	(474,767)
Repayment/(payment) of long-term debt investments		**879,004**	(139,405)
Disposal of items of property, plant and equipment		**545**	2,359
Net cash flows used in investing activities		**(9,261,234)**	(1,320,190)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		**5,683,000**	4,405
Advances from related companies	*43*	**47,699,691**	15,790,185
Repayment of advances from related companies	*43*	**(43,387,298)**	(16,714,932)
Advances to related companies	*43*	**(23,497,757)**	(10,691,453)
Repayment of advances to related companies	*43*	**23,790,465**	10,086,115
Payment of lease liabilities		**(31,803)**	–
Proceeds from interest-bearing bank and other borrowings		**21,748,024**	16,367,769
Repayment of interest-bearing bank and other borrowings		**(18,528,530)**	(11,603,038)
Proceeds from issue of new shares		**1,972,835**	–
Proceeds from issue of corporate bonds	*33*	**415,674**	586,421
Proceeds from issue of senior notes	*32*	**1,161,300**	–
Repayment of corporate bonds	*33*	**(45,427)**	–
Repayment of senior notes		**(355,610)**	–
Net cash flows from financing activities		**16,624,564**	3,825,472
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,524,808**	4,230,209
Cash and cash equivalents at beginning of year		**7,083,520**	2,876,901
Effect of foreign exchange rate, net		**(49,590)**	(23,590)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,558,738**	7,083,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**16,598,569**	10,065,566
Less:			
Restricted cash	*27*	**5,749,309**	2,623,147
Pledged deposits	*27*	**290,522**	358,899
Cash and cash equivalents as stated in the statement of cash flows		**10,558,738**	7,083,520

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The Company's shares were listed on the Stock Exchange on 15 November 2019.The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Group was involved in property development and property leasing.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Xin Hong Company Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

Name of companies	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Directly held:				
力悅有限公司 Li Yue Company Limit ed	British Virgin Islands	United States dollar ("US$") 0.001	100%	Investment holding
森源發展有限公司 Forest Resources Developments Limited	British Virgin Islands	US$0.001	100%	Investment holding
力誠有限公司 Li Cheng Company Limited	British Virgin Islands	US$0.001	100%	Investment holding
力合控股有限公司 Li He Holdings Limited	British Virgin Islands	US$0.001	100%	Investment holding
力銳控股有限公司 Li Rui Holdings Limited	British Virgin Islands	US$0.001	100%	Investment holding
Indirectly held:				
力悅(香港)控股有限公司 Li Yue (HK) Holdings Limited	Hong Kong	HK$0.1	100%	Investment holding
新星電子有限公司 Icons Electronics Limited	Hong Kong	HK$0.001	100%	Investment holding
江西新力商務諮詢有限公司 Jiangxi Sinic Business Consultancy Co., Ltd.	PRC/Mainland China	RMB100,000	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
江西新力企業管理有限公司 Jiangxi Sinic Corporate Management Co., Ltd.		PRC/Mainland China	RMB2,000,000	100%	Investment holding
新力地產集團有限公司 Sinic Real Estate Group Co., Ltd.		PRC/Mainland China	RMB3,200,000	100%	Investment holding
江西新力置地投資有限公司 Jiangxi Sinic Properties Investment Co., Ltd.		PRC/Mainland China	RMB2,500,000	100%	Property development
豐城贛鐵置業有限公司 Fengcheng Gantie Properties Co., Ltd.	*(1)*	PRC/Mainland China	RMB6,000	64%	Property development
南昌天華置業有限公司 Nanchang Tianhua Properties Co., Ltd.		PRC/Mainland China	RMB200,000	100%	Property development
江西恒望置業有限公司 Jiangxi Hengwang Properties Co., Ltd. ("Jiangxi Hengwang")	*(1)*	PRC/Mainland China	RMB102,040	51%	Property development
江西澳斯屯實業有限公司 Jiangxi Aositun Industrial Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
江西駿宇實業有限公司 Jiangxi JunYu Industrial Co., Ltd.		PRC/Mainland China	RMB30,000	100%	Property development
南昌寶葫蘆農莊有限公司 Nanchang Baohulu Farm Co., Ltd.		PRC/Mainland China	RMB179,620	100%	Property development
武漢保和優誠置業有限公司 Wuhan Baoheyoucheng Properties Co., Ltd.	*(1)*	PRC/Mainland China	RMB57,300	70%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
贛州新力力合置業有限公司 Ganzhou Sinic Lihe Properties Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
贛州新力未來置業有限公司 Ganzhou Sinic Weilai Properties Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
綠色奔跑置業(北京)有限公司 Lvse Benpao Properties (Beijing) Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
惠州新力弘發房地產開發有限公司 Huizhou Sinic Hongfa Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
廣東強科地產有限公司 Guangdong Qiangke Real Estate Co., Ltd.		PRC/Mainland China	RMB5,100	100%	Property development
惠州新力無限房地產開發有限公司 Huizhou Sinic Wuxian Real Estate Development Co., Ltd.		PRC/Mainland China	RMB100,000	100%	Property development
南昌天巨實業有限公司 Nanchang Tianju Industrial Co., Ltd. ("Nanchang Tianju")	*(1)*	PRC/Mainland China	RMB5,000	60%	Property development
惠州新力美學房地產開發有限公司 Huizhou Sinic Meixue Real Estate Development Co., Ltd.		PRC/Mainland China	RMB100,000	100%	Property development
惠州市均林實業有限公司 Huizhou Junlin Industrial Co., Ltd	*(2)*	PRC/Mainland China	RMB5,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
湖南新渺房地產開發有限公司 Hunan Xinmiao Real Estate Development Co., Ltd.	*(1)*	PRC/Mainland China	RMB50,000	99%	Property development
湖南新川房地產開發有限公司 Hunan Xinchuan Real Estate Development Co., Ltd.	*(1)*	PRC/Mainland China	RMB50,000	99%	Property development
湖南新林房地產開發有限公司 Hunan Xinlin Real Estate Development Co., Ltd.	*(1)*	PRC/Mainland China	RMB50,000	99%	Property development
北京里士滿信息諮詢有限公司 Beijing Lishiman Information Consulting Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Management consulting
南昌順泰置業有限公司 Nanchang Shuntai Properties Co., Ltd.	*(1)*	PRC/Mainland China	RMB100,000	70%	Property development
惠州新力泓逸房地產開發有限公司 Huizhou Sinic Hongyi Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
昆山萊克斯投資有限公司 Kunshan Laikesi Investment Co., Ltd.		PRC/Mainland China	RMB100,000	100%	Property development
上海新悅力和房地產開發有限公司 Shanghai Xinyue Lihe Real Estate Development Co., Ltd		PRC/Mainland China	RMB100,000	100%	Property development
江西億創置業投資有限公司 Jiangxi Yichuang Properties Investment Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Investment development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
贛州新悅力創房地產開發有限公司 Ganzhou Xinyuelichuang Real Estate Development Co., Ltd.		PRC/Mainland China	RMB200,000	100%	Investment development
惠州市天華宇實業有限公司 Huizhou Tianhuayu Industrial Co., Ltd		PRC/Mainland China	RMB1,000	100%	Property development
長沙新力鴻房地產開發有限公司 Changsha Sinic Hong Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
清遠市萬力源投資置業有限公司 Qingyuan Wanliyuan Investment Properties Co., Ltd.		PRC/Mainland China	RMB25,000	100%	Property development
江西力睿置業投資有限公司 Jiangxi Lirui Property Investment Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
江西淳華房地產開發有限公司 Jiangxi Chunhua Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
江西新沃房地產開發有限公司 Jiangxi Xinwo Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
湖南新力在悅房地產開發有限公司 Hunan Sinic Zaiyue Real Estate Development Co., Ltd.		PRC/Mainland China	RMB200,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)				
無錫富安金邸房地產有限公司 Wuxi Fuan Jindi Real Estate Co., Ltd.	PRC/Mainland China	RMB100,000	100%	Property development
惠州市湯普實業有限公司 Huizhou Tangpu Industrial Co., Ltd.	PRC/Mainland China	US$109,600	100%	Property development
江西傲宇房地產開發有限公司 Jiangxi Aoyu Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	100%	Property development
香港澳銘企業管理有限公司 Hong Kong Oeming Enterprise Management Co., Ltd.	Hong Kong	HK$0.001	100%	Investment holding
武漢新力在和房地產集團有限公司 Wuhan Sinic Zaihe Real Estate Group Co., Ltd.	PRC/Mainland China	RMB50,000	100%	Property development
江西鴻禎房地產開發有限公司 Jiangxi Hongzhen Estate Development Co., Ltd.	PRC/Mainland China	RMB100,000	100%	Property development
湖南新卓房地產開發有限公司 Hunan Xinzhuo Real Estate Development Co., Ltd.	PRC/Mainland China	RMB285,710	100%	Property development
江西贛越房地產開發有限公司 Jiangxi Ganyue Real Estate Development Co., Ltd.	PRC/Mainland China	RMB100,000	100%	Property development
惠州新力未來房地產開發有限公司 Huizhou Sinic Weilai Real Estate Development Co., Ltd.	PRC/Mainland China	RMB100,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
惠州力新無限房地產開發有限公司 Huizhou Lixin Wuxian Real Estate Development Co., Ltd.		PRC/Mainland China	RMB100,000	100%	Property development
江西新瀚置業有限公司 Jiangxi Xinhan Properties Co., Ltd.	*(2)*	PRC/Mainland China	RMB100,000	100%	Property development
武漢新力聖宇房地產開發有限公司 Wuhan Sinic Shengyu Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
武漢新力中成房地產開發有限公司 Wuhan Sinic Zhongcheng Real Estate Development Co., Ltd.	*(1)*	PRC/Mainland China	RMB50,000	70%	Property development
成都力聯房地產開發有限公司 Chengdu Lilian Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
江西中河置業有限公司 Jiangxi Zhonghe Properties Co., Ltd.		PRC/Mainland China	RMB200,000	100%	Property development
南昌名門世家房產開發經營有限責任公司 Nanchang Mingmen Shijia Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
江西璽瑞實業有限公司 Jiangxi Xirui Industrial Co., Ltd.	*(1)*	PRC/Mainland China	RMB20,400	51%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
惠州市美麗置業有限公司 Huizhou Meili Properties Co., Ltd.		PRC/Mainland China	RMB40,000	100%	Property development
長沙旺國置業有限公司 Changsha Wangguo Properties Co., Ltd.	*(1)*	PRC/Mainland China	RMB100,000	94%	Property development
長沙新力湘房地產開發有限公司 Changsha Sinic Xiang Real Estate Development Co., Ltd.	*(1)*	PRC/Mainland China	RMB226,421	99%	Property development
江蘇中原置業有限公司 Jiangsu Zhongyuan Properties Co., Ltd		PRC/Mainland China	RMB77,200	100%	Property development
江西和之信投資有限公司 Jiangxi Hezhixin Investment Co., Ltd.		PRC/Mainland China	RMB150,000	100%	Property development
江西新爵置業投資有限公司 Jiangxi Xinjue Property Investment Co., Ltd.		PRC/ Mainland China	RMB10,000	100%	Investment holding
江西金麒麟置業有限公司 Jiangxi Gold Qilin Properties Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
惠州市均城投資有限公司 Huizhou Juncheng Investment Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
江西運發實業有限公司 Jiangxi Yunfa Industrial Co., Ltd.	*(2)*	PRC/Mainland China	RMB61,230	100%	Property development
成都力新渺房地產開發有限公司 Chengdu Lixinmiao Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
成都新力錦業房地產開發有限公司 Chengdu Sinic Jinye Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
廣州新力展裕投資有限公司 Guangzhou Sinic Zhanyu Investment Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
湖南悦禧置業有限公司 Hunan Yuexi Properties Co., Ltd.	*(1)*	PRC/Mainland China	RMB30,000	99%	Property development
惠陽區威宇實業發展有限公司 Huiyang Weiyu Industrial Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
江西匯濤實業有限公司 Jiangxi Huitao Industrial Co., Ltd.		PRC/Mainland China	RMB600,000	100%	Property development
武漢市升陽房地產發展有限公司 Wuhan Shengyang Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
江西海越房地產開發有限公司 Jiangxi Haiyue Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
江西新騰房地產開發有限公司 Jiangxi Xinteng Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development
江西新潯房地產開發有限公司 Jiangxi Xinxun Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
江西陽焱房地產開發有限公司 Jiangxi Yangyan Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB100,000	100%	Property development
惠州市勝源投資有限公司 Huizhou Shengyuan Investment Co., Ltd.		PRC/Mainland China	RMB5,000	100%	Property development
蘇州新力在悦房地產有限公司 Suzhou Sinic Zaiyue Real Estate Co., Ltd.		PRC/Mainland China	RMB100,000	100%	Property development
南昌新銘房地產開發有限公司 Nanchang Xinming Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
南昌梓棟房地產開發有限公司 Nanchang Zidong Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
浮梁縣靜好實業有限公司 Fuliang Jingshu Industrial Co., Ltd.	*(1)*	PRC/Mainland China	RMB10,000	95%	Property development
南昌泰新房地產開發有限公司 Nanchang Taixin Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
南昌新穎房地產開發有限公司 Nanchang Xinying Real Estate Development Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
廣州坤旺房地產開發有限公司 Guangzhou Kunwang Real Estate Development Co., Ltd.		PRC/Mainland China	RMB10,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
中山新慧房地產開發有限公司 Zhongshan Xinhui Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB100,000	100%	Property development
中山新力力創房地產開發集團有限公司 Zhongshan Sinic Lichuang Real Estate Development Group Co., Ltd.		PRC/Mainland China	RMB2,000,000	100%	Property development
中山市渡頭房地產開發有限公司 Zhongshan Dutou Real Estate Development Co., Ltd.	*(3)*	PRC/Mainland China	RMB160,214	100%	Property development
惠州市均榮實業有限公司 Huizhou Junrong Industrial Co., Ltd.		PRC/Mainland China	RMB210,000	100%	Property development
吉安新悅力創房地產開發有限公司 Ji 'an Xinyue Lichuang Real Estate Development Co., Ltd.		PRC/Mainland China	RMB200,000	100%	Property development
惠州市萬基實業有限公司 Huizhou Wanji Industrial Co., Ltd.		PRC/Mainland China	RMB12,000	100%	Property development
諸暨力睿房地產開發有限公司 Zhuji Lirui Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
惠州市錦綉灣實業有限公司 Huizhou Jinxiu Bay Industrial Co., Ltd.		PRC/Mainland China	RMB20,000	100%	Property development
惠州市朗鉅實業有限公司 Huizhou Langju Industrial Co., Ltd.	*(1)*	PRC/Mainland China	RMB300,000	75%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
惠州大亞灣新際房地產開發有限公司 Huizhou Daya Bay XinJi Real Estate Development Co., Ltd.		PRC/Mainland China	RMB164,000	100%	Property development
蘇州力創香穀置業發展有限公司 Suzhou Lichuang Xianggu Properties Development Co., Ltd.	*(1,2)*	PRC/Mainland China	RMB200,000	70%	Property development
溫州力璟房地產開發有限公司 Wenzhou Lijing Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB50,000	100%	Property development
合肥新城悦弘房地產開發有限公司 Hefei Xincheng Yuehong Real Estate Development Co., Ltd.	*(3)*	PRC/Mainland China	RMB130,000	100%	Property development
平潭立新地產有限公司 Pingtan Lixin Real Estate Co., Ltd.	*(1)*	PRC/Mainland China	RMB100,000	48%	Property development
平潭魯新地產有限公司 Pingtan Luxin Real Estate Co., Ltd.	*(1)*	PRC/Mainland China	RMB111,500	48%	Property development
江西賽越房地產開發有限公司 Jiangxi Saiyue Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB142,857	100%	Property development
合肥力耀房地產開發有限公司 Hefei Liyao Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB50,000	100%	Property development
無錫新卓房地產開發有限公司 Wuxi Xinzhuo Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB71,428	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are set out below: (continued)

Name of companies	*Notes*	Place of of incorporation/ registration and business	Nominal value of registered share capital ('000)	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
Indirectly held: (continued)					
成都力璽房地產開發有限公司 Chengdu Lixi Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB10,000	100%	Property development
安徽力弘房地產開發有限公司 Anhui Lihong Real Estate Development Co., Ltd.	*(1,2)*	PRC/Mainland China	RMB1,100,000	70%	Property development
蘇州新力創志房地產有限公司 Suzhou Sinic Chuangzhi Real Estate Co., Ltd.		PRC/Mainland China	RMB25,000	100%	Property development
煙台力新房地產開發有限公司 Yantai Lixin Real Estate Development Co., Ltd.	*(2)*	PRC/Mainland China	RMB10,000	100%	Property development
江西雨葉頌實業有限公司 Jiangxi Yuyesong Industrial Co., Ltd.	*(1)*	PRC/Mainland China	RMB1,400,000	51%	Property development
慈溪力創房地產開發有限公司 Cixi Lichuang Real Estate Development Co., Ltd.		PRC/Mainland China	RMB50,000	100%	Property development
蘇州新力悦創房地產有限公司 Suzhou Sinic Yuechuang Real Estate Co., Ltd.		PRC/Mainland China	RMB25,000	100%	Property development

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have an official English name. The legal form of all the above disclosed principal subsidiaries are limited liability companies.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Notes:

(1) These entities are subsidiaries of a non-wholly-owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over it.

(2) The Group legally transferred partial equity interests of these subsidiaries as collateral to trust financing companies during the year. Under such trust financing arrangements, the Group was obliged to purchase at a fixed amount on a future date upon repayment of the borrowings from the trust financing companies.

In addition, the Group retains the power to control these companies in the ordinary course of business by confirmation from the legal equity holder. In this regard, considering the facts that the substance of the arrangements is to collateralise some equity interests in these companies for the borrowings for project development and the Group retains the practical ability to govern the financial and operating policies of these project companies so as to obtain benefits from the operating activities of these project companies, the directors of the Company are of the view that the financial position and operating results of these companies should be consolidated into the Group's financial statements.

(3) During the year, the Group acquired Zhongshan Dutou Real Estate Development Co., Ltd. ("Zhongshan Dutou") and Hefei Xincheng Yuehong Real Estate Development Co., Ltd. ("Hefei Xincheng Yuehong") from third parties. Further details of these acquisitions are included in note 39 to the financial statements.

(4) 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 PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 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).

2.1 BASIS OF PREPARATION (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

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 supersedes IAS 17 *Leases* ("IAS 17"), 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 will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for 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 has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

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 property, machinery, motor vehicles and other 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 leases with a lease 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).

Impact 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.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on its assessment of whether leases are onerous immediately before the date of initial application
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	RMB'000
Assets	
Increase in right-of-use assets	41,585
Increase in total assets	41,585
Liabilities	
Increase in lease liabilities	(41,585)
Increase in total liabilities	(41,585)
Decrease in retained profits	–
Decrease in non-controlling interests	–

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	67,964
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(2,651)
	65,313
Weighted average incremental borrowing rate as at 1 January 2019	6.00%
Discounted operating lease commitments at 1 January 2019	41,585
Lease liabilities as at 1 January 2019	41,585

(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 continued 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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 arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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.

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.

Amendments to IAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after 1 January 2022. Early application is permitted. 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 statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of profit or loss. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, 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 or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 estimated useful lives and the annual depreciation rates are as follows:

	Estimated useful lives	Annual depreciation rates
Buildings	20 years	5%
Motor vehicles	3–4 years	25% to 33%
Office equipment and electronic devices	3–5 years	20% to 33%
Leasehold improvements	3 years	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

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.

(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:

Land use rights	20 years
Office buildings	2 to 5 years
Motor vehicles	2 to 5 years
Other equipment	3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The 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 machinery and 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.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessor (continued)

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

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, 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.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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 the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Softwares is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful lives of 2 to 5 years.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has evaluated the expected loss rate that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, corporate bonds and senior notes (collectively called "loans and borrowings"), lease liabilities, trade and bills payables, other payables, and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when 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, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when 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, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

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 consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group 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.

Sales of properties

Revenues are 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 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 customer obtains control of the asset.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a 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 recognised when the customer obtains the physical possession, or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Consulting services

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

Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income

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

Dividend income

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee 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 these payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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.

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 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and completed properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee, such as the board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments in the consolidated statement of financial position.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 20 to the 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 applies to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sales contracts, the Group has obtained legal counsel's 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Certain advance payments received from customers provide a significant financing benefit to the Group. Although the Group is required by the government to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers is completed.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of 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 described 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.

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 (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each year. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 year.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceed 10% of the Group's consolidated revenue, net profit or total assets. As the economic characteristics is similar in all the locations, where the nature of property development and leasing and commercial property management is similar, as well as the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, and thus all locations were aggregated as one reportable operating segment.

4. OPERATING SEGMENT INFORMATION (continued)

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 sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue at the end of the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**26,975,871**	8,412,897
Revenue from other sources		
Rental income	**9,072**	2,756
	26,984,943	8,415,653

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
Type of goods or services:		
Sale of properties	**26,806,590**	8,389,269
Consulting services	**169,281**	23,628
Total revenue from contracts with customers	**26,975,871**	8,412,897
Timing of revenue recognition:		
Properties transferred at a point in time	**25,606,195**	6,657,526
Properties transferred over time	**1,200,395**	1,731,743
Consulting services transferred over time	**169,281**	23,628
Total revenue from contracts with customers	**26,975,871**	8,412,897

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	**25,379,162**	8,197,060

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

For property sales contract for which the control of the property is transferred at a point in time, the performance obligation is satisfied upon delivery of the properties and the Group has already received the payment or has the right to receive the payment probably.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Consulting services

For consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient not to disclose the remaining performance obligations for these types of contracts. The majority of the management consulting service contracts do not have a fixed term. The term of the contracts for pre-delivery and consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

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	**27,540,609**	21,136,377
After one year	**16,269,385**	26,581,826
	43,809,994	47,718,203

An analysis of other income and gains is as follows:

	2019 RMB'000	2018 RMB'000
Other income and gains		
Net gains on disposal of subsidiaries *(note 40)*	**72,160**	1,187
Forfeiture of deposits	**21,218**	1,564
Gains on bargain purchase *(note 39)*	**4,987**	–
Government grants	**273**	2,190
Gain on disposal of items of property, plant and equipment	**78**	482
Others	**6,911**	522
	105,627	5,945

NOTES TO THE FINANCIAL STATEMENTS

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 inventories sold	*22,23*	**18,943,054**	5,266,765
Cost of services provided		**43,352**	5,892
Depreciation of items of property, plant and equipment	*13*	**25,375**	19,435
Depreciation of other right-of-use assets	*15(b)*	**30,255**	–
Amortisation of land use rights	*15(a)*	**770**	–
Amortisation of other intangible assets	*16*	**2,493**	820
Rental expenses	*15(d)*	**12,241**	37,522
Auditors' remuneration		**8,670**	6,164
Impairment losses on financial assets		**(611)**	693
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):		**334,526**	213,379
Wages and salaries Pension scheme contributions and social welfare		**60,759**	39,056

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on loans and borrowings	**2,191,382**	1,218,042
Interest on lease liabilities	**4,949**	–
Interest expense arising from revenue contracts	**213,337**	803,381
Total interest expense on financial liabilities not at fair value through profit or loss	**2,409,668**	2,021,423
Less: Interest capitalised	**(1,953,271)**	(1,595,649)
	456,397	425,774

8. DIRECTORS' 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	**99**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**4,081**	3,489
Pension scheme contributions and social welfare	**331**	324
	4,412	3,813
	4,511	3,813

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

Mr. Tam Chi Choi, Mr. Au Yeung Po Fung and Mr. Liu Xin were appointed as independent non-executive directors of the Company on 26 August 2019.

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
– Mr. Tam Chi Choi	33	–
– Mr. Au Yeung Po Fung	33	–
– Mr. Liu Xin	33	–
	99	–

There was no other emolument payable to the independent non-executive directors during the year (2018: nil).

(b) Executive directors and the chief executive

Mr. Zhang Yuanlin is the chairman and an executive director of the Company. Mr. She Runting was appointed as an executive Director and a vice president on 14 May 2019. Ms. Tu Jing was appointed as an executive director on 14 May 2019.

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
2019			
Executive directors:			
– Mr. Zhang Yuanlin	1,200	114	1,314
– Mr. She Runting	2,352	114	2,466
– Ms. Tu Jing	529	103	632
	4,081	331	4,412

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
2018			
Executive directors:			
– Mr. Zhang Yuanlin	1,200	108	1,308
– Mr. She Runting	1,680	108	1,788
– Ms. Tu Jing	609	108	717
	3,489	324	3,813

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 one director (2018: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the four (2018: four) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**7,659**	5,945
Pension scheme contributions and social welfare	**434**	431
	8,093	6,376

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**4**	3
HK$2,000,001 to HK$3,000,000	**–**	1
	4	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2019.

Subsidiaries of the Group operating in Mainland China were subject to PRC CIT at a rate of 25% for the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. In addition, these subsidiaries in Jiangxi province were subject to LAT which is calculated based on 10% of their revenue in accordance with "No. 1 (2017) Announcement of Jiangxi tax bureau". 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 **RMB'000**	2018 RMB'000
Current tax:		
PRC CIT	**2,649,944**	1,169,488
PRC LAT	**2,325,035**	757,219
Deferred tax *(note 20)*	**(725,229)**	(618,171)
Total tax charge for the year	**4,249,750**	1,308,536

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**6,264,024**	1,863,489
At the statutory income tax rate	**1,566,006**	465,872
Profits and losses attributable to joint ventures and associates	**(25,437)**	(9,847)
Gain on disposal of subsidiaries	**13,801**	–
Expenses not deductible for tax	**12,503**	19,706
Costs not deductible for tax	**865,753**	137,554
Gain on bargain purchase	**(1,247)**	–
Tax losses and deductible temporary differences utilised from previous years	**(30,785)**	(8,938)
Tax losses not recognised	**105,380**	136,275
Provision for LAT	**2,325,035**	757,219
Tax effect on LAT	**(581,259)**	(189,305)
Tax charge at the Group's effective rate	**4,249,750**	1,308,536

10. INCOME TAX (continued)

The share of tax charge attributable to joint ventures and associates amounted to RMB75,007,000 for the year (2018: RMB1,081,000). The share of tax credit attributable to joint ventures and associates amounting to RMB41,091,000 for the year (2018: RMB15,561,000) is 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
PRC CIT payable	**2,793,457**	1,058,917
PRC LAT payable	**2,673,871**	627,396
Total tax payable	**5,467,328**	1,686,313

11. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend for the year 2019 of RMB13 cents per share (to be distributed out of the Company's Share premium account), amounting to a total of approximately RMB464,124,310 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividends have been proposed after the end of the reporting period and therefore has not been recognised as a liability at the end of the reporting period.

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 3,070,516,484 (2018: 2,999,999,100) 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 100 shares of the Company as at 18 September 2018, 900 shares of the Company issued in the year ended 17 May 2019, and 2,999,999,000 ordinary shares of the Company issued under the capitalisation issue occurred on 15 November 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 15 November 2019, the Company issued 529,412,000 new ordinary shares. On 11 December 2019, the over-allotment option has been partially exercised and the Company allotted and issued 40,775,000 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.

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

The calculations of the basic and diluted earnings per share amounts are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,957,763**	413,538

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**3,070,516**	2,999,999
Earnings per share		
Basic and diluted	**RMB0.64**	RMB0.14

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 31 December 2018 and 1 January 2019:					
Cost	70,283	15,589	50,879	19,941	156,692
Accumulated depreciation	(2,111)	(10,672)	(23,728)	(5,841)	(42,352)
Net carrying amount	68,172	4,917	27,151	14,100	114,340
At 31 December 2018,net of accumulated depreciation	68,172	4,917	27,151	14,100	114,340
Effect of adoption of IFRS 16	(14,925)	–	–	–	(14,925)
At 1 January 2019 (restated)	53,247	4,917	27,151	14,100	99,415
Additions	–	–	9,086	8,323	17,409
Disposals	–	–	(467)	–	(467)
Acquisition of subsidiaries *(note 39)*	–	–	880	–	880
Disposal of subsidiaries *(note 40)*	–	(7)	(506)	–	(513)
Depreciation provided during the year *(note 6)*	(2,834)	(1,996)	(12,579)	(7,966)	(25,375)
At 31 December 2019, net of accumulated depreciation	50,413	2,914	23,565	14,457	91,349
At 31 December 2019:					
Cost	54,908	15,589	60,845	28,264	159,606
Accumulated depreciation	(4,495)	(12,675)	(37,280)	(13,807)	(68,257)
Net carrying amount	50,413	2,914	23,565	14,457	91,349

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2018						
At 31 December 2017 and 1 January 2018:						
Cost	40,474	13,491	36,585	30,858	8,677	130,085
Accumulated depreciation	–	(7,957)	(11,757)	–	(1,318)	(21,032)
Net carrying amount	40,474	5,534	24,828	30,858	7,359	109,053
At 1 January 2018, net of accumulated depreciation	40,474	5,534	24,828	30,858	7,359	109,053
Additions	–	2,098	11,894	1,351	11,264	26,607
Transferred	29,809	–	2,400	(32,209)	–	–
Disposals	–	(540)	(1,345)	–	–	(1,885)
Depreciation provided during the year *(note 6)*	(2,111)	(2,175)	(10,626)	–	(4,523)	(19,435)
At 31 December 2018, net of accumulated depreciation	68,172	4,917	27,151	–	14,100	114,340
At 31 December 2018:						
Cost	70,283	15,589	50,879	–	19,941	156,692
Accumulated depreciation	(2,111)	(10,672)	(23,728)	–	(5,841)	(42,352)
Net carrying amount	68,172	4,917	27,151	–	14,100	114,340

As at 31 December 2019, the Group's property, plant and equipment with an aggregate carrying amount of nil (2018: RMB68,172,000) were pledged to secure bank and other borrowings granted to the Group (note 31).

14. INVESTMENT PROPERTIES

	Under construction RMB'000	**Completed** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2018	444,000	449,500	893,500
Additions	149,371	–	149,371
Transfer	(9,642)	9,642	–
Net gain from a fair value adjustment	103,271	6,888	110,159
Carrying amount at 31 December 2018 and 1 January 2019	687,000	466,030	1,153,030
Additions	314,454	–	314,454
Transferred from completed properties held for sale *(note 23)*	–	118,930	118,930
Transfer	(343,997)	343,997	–
Net gain from a fair value adjustment	93,343	71,443	164,786
Carrying amount at 31 December 2019	**750,800**	**1,000,400**	**1,751,200**

The Group's investment properties are situated 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 RMB1,751,200,000, (2018: based on valuations performed by Cushman & Wakefield Limited ("C&W") at RMB1,153,030,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

As at 31 December 2019, the Group's investment properties with an aggregate carrying amount of approximately RMB750,800,000 (2018: RMB416,067,000) were pledged to secure bank and other borrowings granted to the Group (note 31).

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 under construction	**–**	**–**	**1,000,400**	**1,000,400**
completed	**–**	**–**	**750,800**	**750,800**
	–	**–**	**1,751,200**	**1,751,200**

	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 under construction	–	–	687,000	687,000
completed	–	–	466,030	466,030
	–	–	1,153,030	1,153,030

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).

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)	**RMB60-130**	RMB57-129
		Capitalisation rate	**4.0%**	4.0%
Commercial properties under construction	Cost method	Unit accommodation price (RMB per sq.m.)	**RMB1,948-2,733**	RMB1,750-2,416
		Expected gross margin	**20-25%**	20-25%

The fair value of completed commercial properties was determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction was determined using the cost method with reference to the market value of land use right plus the construction cost incurred so far.

The higher market value of land use right would result in the higher fair value of the investment properties under construction. The higher expected gross margin/market value of land use right would result in the higher fair value of the investment properties under construction.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of office buildings, motor vehicles and other equipment used in its operations. Leases of office buildings generally have lease terms between 1 and 6 years, while motor vehicles generally have lease terms between six months and 3 years. Other 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. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets – Land use rights

	31 December 2019 RMB'000
Carrying amount at beginning of the year	14,925
Amortisation provided during the year	(770)
Carrying amount at end of the year	14,155

(b) Other right-of-use assets

The carrying amounts of the Group's other right-of-use assets and the movements during the year are as follows:

	Office Buildings RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2019	41,080	–	505	41,585
Additions	44,262	310	809	45,381
Depreciation charge *(note 6)*	(29,413)	(103)	(739)	(30,255)
As at 31 December 2019	55,929	207	575	56,711

(c) Lease liabilities

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

	Lease liabilities RMB'000
Carrying amount at 1 January 2019	41,585
New leases	45,381
Accretion of interest recognised during the year	4,949
Payments	(31,803)
Carrying amount at 31 December 2019	60,112
Analysed into:	
Current portion	30,629
Non-current portion	29,483

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

15. LEASES (continued)

The Group as a lessee (continued)

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

	2019 RMB'000
Interest on lease liabilities	**4,949**
Depreciation charge of right-of-use assets	**30,255**
Expense relating to leases of low-value assets	**12,241**
Total amount recognised in profit or loss	**47,445**

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 42, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of five commercial properties in mainland China 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 RMB9,072,000 (2018: RMB2,756,000), 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 RMB'000	2018 RMB'000
Within one year	**7,763**	7,209
After one year but within two years	**7,763**	6,759
After two years but within three years	**7,763**	6,759
After three years but within four years	**7,763**	6,759
After one year but within five years	**7,763**	6,759
After five years	**110,603**	94,475
	149,418	128,720

16. INTANGIBLE ASSETS

Software

	2019 RMB'000	2018 RMB'000
At 1 January 2019		
Cost	**7,472**	7,013
Accumulated amortisation	**(1,561)**	(741)
Cost at 1 January, net of accumulated amortisation	**5,911**	6,272
Additions	**21,829**	459
Disposal of subsidiaries *(note 40)*	**(51)**	–
Amortisation provided during the year *(note 6)*	**(2,493)**	(820)
At 31 December	**25,196**	5,911
Cost	**29,301**	7,472
Accumulated amortisation	**(4,105)**	(1,561)
Net carrying amount	**25,196**	5,911

17. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets	**5,992,646**	3,866,086

The Group's receivable and payable balances with joint ventures are disclosed in note 43 to the financial statements.

(a) Particulars of the Group's material joint venture are as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Statutory percentage of ownership interest attributable to the Group	Principal activities
Jiangxi Baixing Real Estate Investment Co., Ltd. 江西百興房地產投資有限公司	Nanchang, PRC 2002	50,000	60.00%	Property development
Wuhan Furui Decheng Real Estate Development Co., Ltd. 武漢福瑞德成房地產開發有限公司	Wuhan, PRC 2016	550,000	50.70%	Property development
Ezhou Jiayu Real Estate Development Co., Ltd. 鄂州市嘉裕房地產發展有限公司	Ezhou, PRC 2013	50,000	49.00%	Property development
Jiangxi Xinyue Honglan Real Estate Development Co., Ltd. 江西新越弘嵐房地產開發有限公司	Nanchang, PRC 2019	650,000	51.00%	Property development
Nanchang Jianmei Real Estate Co., Ltd. 南昌建美房地產有限公司	Nanchang, PRC 2017	10,000	19.00%	Property development
Jiangxi Dongyi Properties Co., Ltd. 江西東屹置業有限公司	Nanchang, PRC 2019	50,000	50.00%	Property development

Pursuant to the investment framework agreement and the articles of association of these companies, all shareholder resolutions of these companies shall be resolved by all shareholders on a unanimous basis. Therefore, these companies were accounted for as joint ventures of the Group during the year.

17. INVESTMENTS IN JOINT VENTURES (continued)

(b) Jiangxi Baixing Real Estate Investment Co., Ltd. ("Jiangxi Baixing")

The Group accounts for its investment in Jiangxi Baixing as a joint venture although the Group holds 60% of equity interests of this entity. According to the articles of association and the contract between the Group and the other equity interest holders of Jiangxi Baixing (the "Contract A"), the Group does not have control over Jiangxi Baixing.

According to the profit-sharing arrangement stated in the Contract A, the Group has control over some specified assets of Jiangxi Baixing and is entitled to the returns from these specified assets. These specified assets are the only source of payment for the specified liabilities as stipulated in the Contract A. However, the abovementioned specified assets, liabilities and equity in the Contract A are not legally ring-fenced from the overall investee. There is a possibility that the specified assets could be used to meet liabilities of the rest of the investee. Therefore, in the opinion of the Directors, such arrangement does not qualify the concept of "deemed separate entity" as stated in IFRS 10.

The following table illustrates the summarised financial information of Jiangxi Baixing attributable to the Group according to the profit-sharing terms under the Contract A:

	2019 **RMB'000**	2018 RMB'000
Cash and cash equivalents	**232**	41,723
Other current assets	**3,623,410**	4,774,420
Current assets	**3,623,642**	4,816,143
Non-current assets	**63,058**	33,447
Financial liabilities, excluding trade and other payables	**(40,000)**	–
Other current liabilities	**(3,305,267)**	(4,453,115)
Current liabilities	**(3,345,267)**	(4,453,115)
Non-current liabilities	**(40,000)**	(170,000)
Carrying amount of the investment	**301,433**	226,475
Revenue	**605,987**	457,178
Expenses	**(411,329)**	(367,910)
Tax	**(107,701)**	(65,103)
Profit for the year	**86,957**	24,165
Total comprehensive income for the year	**86,957**	24,165

17. INVESTMENTS IN JOINT VENTURES (continued)

(c) Wuhan Furui Decheng Real Estate Development Co., Ltd. ("Wuhan Furui Decheng")

The Group accounts for its investment in Wuhan Furui Decheng as a joint venture although the Group holds 50.70% of equity interests of this entity. According to the articles of association and the contract between the Group and the other equity interest holders of Wuhan Furui Decheng (the "Contract B"), the Group does not have control over Wuhan Furui Decheng.

According to the profit-sharing arrangement stated in the Contract B, the Group has control over some specified assets of Wuhan Furui Decheng and is entitled to the returns from these specified assets. These specified assets are the only source of payment for the specified liabilities as stipulated in the Contract B. However, the abovementioned specified assets, liabilities and equity in the Contract B are not legally ring-fenced from the overall investee. There is a possibility that the specified assets could be used to meet liabilities of the rest of the investee. Therefore, in the opinion of the Directors, such arrangement does not qualify the concept of "deemed separate entity" as stated in IFRS 10.

The following table illustrates the summarised financial information of Wuhan Furui Decheng attributable to the Group according to the profit-sharing terms under the Contract B:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**59,481**	111,619
Other current assets	**9,329,912**	6,526,264
Current assets	**9,389,393**	6,637,883
Non-current assets	**67,305**	335
Other current liabilities	**(5,023,662)**	(3,455,444)
Current liabilities	**(5,023,662)**	(3,455,444)
Non-current liabilities	**(401,754)**	(10,000)
Carrying amount of the investment	**4,031,282**	3,172,774
Revenue	**–**	163
Expenses	**(43,726)**	(25,406)
Tax	**67,058**	–
Profit/(loss) for the year	**23,332**	(25,243)
Total comprehensive income/(loss) for the year	**23,332**	(25,243)

(d) Ezhou Jiayu Real Estate Development Co., Ltd. ("Ezhou Jiayu")

Ezhou Jiayu was considered a material associate of the Group during the year ended 31 December 2018, which co-developed property development projects with the other associate partners in Mainland China and was accounted for using the equity method.

According to the articles of association and the contract between the Group and the other shareholder of Ezhou Jiayu (the "Contract C"), the Group has control over some specified assets of Ezhou Jiayu and is entitled to the returns from these specified assets. These specified assets are the only source of payment for the specified liabilities as stipulated in the Contract C. However, the abovementioned specified assets, liabilities and equity in the Contract C are not legally ring-fenced from the overall investee. There is a possibility that the specified assets could be used to meet liabilities of the rest of the investee. Therefore, in the opinion of the Directors, such arrangement does not qualify the concept of "deemed separate entity" as stated in IFRS 10.

17. INVESTMENTS IN JOINT VENTURES (continued)

(d) Ezhou Jiayu Real Estate Development Co., Ltd. ("Ezhou Jiayu") (continued)

The following table illustrates the summarised financial information in respect of Ezhou Jiayu, 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	20,905
Other current assets	358,973
Current assets	379,878
Current liabilities	(20,028)
Carrying amount of the investment	359,850
Revenue	–
Expense	(150)
Tax	–
Loss for the year	(150)
Total comprehensive loss for the year	(150)

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

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' loss and total comprehensive income for the year	**(48,032)**	(8,238)
Adjustment for unrealised profits and losses from related party transactions	**(16,285)**	–
Aggregate carrying amount of the Group's investments in the joint ventures	**1,659,931**	106,987

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2019 as the investments in joint ventures are considered fully recoverable (2018: Nil). The joint ventures have been accounted for using the equity method in these financial statements.

18. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**7,231,927**	708,072

The Group's receivable and payable balances with associates are disclosed in note 43 to the financial statements.

(a) Particulars of the Group's material associates are as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Statutory percentage of ownership interest attributable to the Group	Principal activities
Qingyuan Tianhe Real Estate Co., Ltd. 清遠天河房地產有限公司	Qingyuan, PRC 2005	RMB12,032	31.50%	Property development
Nanchang Weiting Properties Co., Ltd. *(note)* 南昌市威汀置業有限公司	Nanchang, PRC 2013	RMB10,000	50.00%	Property development
Jiangxi Qiunianxing Industrial Co., Ltd. 江西秋念星實業有限公司	Nanchang, PRC 2019	RMB1,400,000	49.00%	Property development
Jiangxi Quanshimu Industrial Co., Ltd. 江西泉石木實業有限公司	Nanchang, PRC 2019	RMB1,400,000	49.00%	Property development
Wenzhou Jin'an Properties Co., Ltd. 溫州錦安置業有限公司	Wenzhou, PRC 2019	RMB2,000,000	49.00%	Property development
Shanghai Yuhong Corporate Management Co., Ltd. 上海弘禦企業管理有限公司	Shanghai, PRC 2019	RMB2,000,000	49.00%	Rental and business service
Shanxi Jiazhaoye Silu Investment Co., Ltd. 陝西佳兆業絲路總部投資有限公司	Xi'an, PRC 2018	RMB100,000	49.00%	Rental and business service
Shanghai Kaique Corporate Management Co., Ltd. 上海凱闕企業管理有限公司	Shanghai, PRC 2019	RMB2,000,000	49.00%	Rental and business service
Nanchang Dimei Real Estate Development Co., Ltd. 南昌市地美房地產開發有限公司	Nanchang, PRC 2019	RMB900,000	40.00%	Property development
Shanghai Lianyou Properties Co., Ltd. 上海聯友置業有限公司	Shanghai, PRC 2018	RMB800,000	49.00%	Property development

Note: Pursuant to the articles of association, the Group only has significant influence on these entities as the other shareholder of each of these entities has the enough voting power to control and operate these entities. Thus, these entities are accounted for as associates by the Group by holding 50% of equity interests in them.

18. INVESTMENTS IN ASSOCIATES (continued)

(b) Nanchang Weiting Properties Co., Ltd. ("Nanchang Weiting")

Nanchang Weiting is considered a material associate of the Group for the year ended 31 December 2019, which co-develops a property development project with other associate partners in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanchang Weiting, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**3,420**	4,878
Other current assets	**530,516**	947,586
Current assets	**533,936**	952,464
Non-current assets	**557,711**	49,909
Other current liabilities	**(232,257)**	(396,582)
Current liabilities	**(232,257)**	(396,582)
Non-current liabilities	**(353,770)**	(242,480)
Net assets	**505,620**	363,311
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the associate	**252,810**	181,656
Carrying amount of the investment	**252,810**	181,656
Revenue	**24,676**	483,556
Expenses	**(35,201)**	(402,141)
Fair value gains on investment properties	**200,279**	–
Tax	**(47,444)**	(9,618)
Profit for the year	**142,310**	71,797
Total comprehensive income for the year	**142,310**	71,797

(c) Nanchang Lizhou Properties Co., Ltd. ("Nanchang Lizhou") and Qingyuan Tianhe Real Estate Co., Ltd. ("Qingyuan Tianhe")

Nanchang Lizhou and Qingyuan Tianhe were considered material associates of the Group during the year ended 31 December 2018, which co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

18. INVESTMENTS IN ASSOCIATES (continued)

(c) Nanchang Lizhou Properties Co., Ltd. ("Nanchang Lizhou") and Qingyuan Tianhe Real Estate Co., Ltd. ("Qingyuan Tianhe") (continued)

The following table illustrates the summarised financial information in respect of Nanchang Lizhou and Qingyuan Tianhe adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Nanchang Lizhou 2018 RMB'000	**Qingyuan Tianhe 2018** RMB'000
Cash and cash equivalents	1,839	23,565
Other current assets	606,109	753,360
Current assets	607,948	776,925
Non-current assets	14,388	68
Current liabilities	(356,463)	–
Non-current financial liabilities, excluding trade and other payables	–	(230,000)
Net assets	265,873	546,993
Reconciliation to the Group's interests in the associate:		
Proportion of the Group's ownership	20%	45%
Group's share of net assets of the associate	53,175	246,147
Carrying amount of the investment	53,175	246,147
Revenue	559,752	–
Expenses	(346,878)	(1,850)
Tax	(82,822)	–
Profit/(loss)for the year	130,052	(1,850)
Total comprehensive income for the year	130,052	(1,850)

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

	2019 **RMB'000**	2018 RMB'000
Share of the associates' profit or loss and total comprehensive income	**(31,662)**	(12,222)
Adjustment for unrealised profits and losses from related party transactions	**(717)**	–
Aggregate carrying amount of the Group's investments in the associates	**6,979,117**	227,094

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2019 as the investments in associates are considered fully recoverable (2018: Nil). The associates have been accounted for using equity method in these financial statements.

19. LONG-TERM DEBT INVESTMENTS

	2019 RMB'000	2018 RMB'000
Debt investments	**–**	879,884
Less: Impairment	**–**	(880)
	–	879,004
Less: Portion classified as current assets	**–**	(314,942)
Non-current portion	**–**	564,062

Long-term debt investments are recorded in the amortised cost less allowance for impairment.

The movements in provision for long-term debt investments are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**880**	741
Impairment losses recognised	**–**	139
Impairment losses reversed	**(880)**	–
	–	880

The internal credit rating of long-term debt investments was regarded as the grade of performing.

The Group has assessed that the credit risk of the long-term debt investments has not increased significantly since initial recognition. The expected loss rate of the long-term debt investments 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 RMB880,000 as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Right-of-use assets RMB'000	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from financial liabilities at FVTPL 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	–	–	2	90,681	82,418	6,085	944,115	63,767	1,187,068
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	–	–	(2)	2,559	(20,333)	(298)	688,944	93,082	763,952
Gross deferred tax assets at 31 December 2018	–	–	–	93,240	62,085	5,787	1,633,059	156,849	1,951,020
Effect of adoption of IFRS 16	14,864	–	–	–	–	–	–	–	14,864
At 1 January 2019 (restated)	14,864	–	–	93,240	62,085	5,787	1,633,059	156,849	1,965,884
Disposal of subsidiaries *(note 40)*	–	–	–	–	–	–	(89,290)	–	(89,290)
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	(2,841)	2,817	–	155,707	224,537	(1,749)	(415,861)	511,618	474,228
At 31 December 2019	**12,023**	**2,817**	**–**	**248,947**	**286,622**	**4,038**	**1,127,908**	**668,467**	**2,350,822**

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from financial liabilities 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	Lease liabilities RMB'000	Total RMB'000
At 31 December 2017 and 1 January 2018	–	–	41,702	182,792	48,794	–	273,288
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	4,715	58	27,540	(10,551)	124,019	–	145,781
Gross deferred tax liabilities at 31 December 2018	4,715	58	69,242	172,241	172,813	–	419,069
Effect of adoption of IFRS 16	–	–	–	–	–	14,864	14,864
At 31 December 2018 and at 1 January 2019 (restated)	4,715	58	69,242	172,241	172,813	14,864	433,933
Acquisition of subsidiaries *(note 39)*	–	–	–	124,788	–	–	124,788
Disposal of subsidiaries *(note 40)*	–	–	–	–	(9,085)	–	(9,085)
Deferred tax credited to profit or loss during the year *(note 10)*	(3,387)	30	41,197	(169,428)	(115,890)	(3,523)	(251,001)
At 31 December 2019	**1,328**	**88**	**110,439**	**127,601**	**47,838**	**11,341**	**298,635**

20. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position amounting to RMB188,081 (2018: RMB298,762). The following is an analysis of the deferred tax balances for financial reporting purposes:

	2019 **RMB'000**	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,162,741**	1,652,258
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(110,554)**	(120,307)

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.

As 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 Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,808,767,000 (2018: RMB4,583,818,000).

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

	2019 **RMB'000**	2018 RMB'000
Tax losses	**247,652**	173,057

Tax losses not recognised expires as follows:

	2019 **RMB'000**	2018 RMB'000
2022	**110,992**	147,128
2023	**458,096**	545,100
2024	**421,520**	–
Tax losses	**990,608**	692,228

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	**281,795**	64,867

The above equity investments at 31 December 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

At 31 December 2019, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately RMB105,678,000 (2018:Nil) were pledged to secure bank and other borrowings granted to the Group (note 31).

22. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**43,560,301**	28,340,270
Additions	**24,506,355**	22,769,382
Transferred to completed properties held for sale *(note 23)*	**(17,382,283)**	(6,582,373)
Acquisition of subsidiaries *(note 39)*	**1,860,827**	–
Disposal of subsidiaries *(note 40)*	**(2,773,657)**	–
Transferred to cost of inventories sold *(note 6)*	**(863,237)**	(966,978)
Carrying amount at 31 December	**48,908,306**	43,560,301

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

At 31 December 2019, the Group's properties under development with an aggregate carrying amount of approximately RMB25,636,686,000 (2018: RMB17,316,129,000) were pledged to secure bank and other borrowings granted to the Group (note 31).

At 31 December 2019, the Group's properties under development with amounts of nil (2018: RMB2,580,844,000) have been pledged to secure bank and other borrowings granted to related parties.

At 31 December 2019, the Group's properties under development with amounts of nil (2018: RMB1,627,905,000) have been pledged to secure bank and other borrowings granted to a third party (note 41).

The value of properties under development is assessed at the end of the reporting period. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. 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.

23. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**4,094,399**	1,811,813
Disposal of subsidiaries *(note 40)*	**(395,952)**	–
Transferred from properties under development *(note 22)*	**17,382,283**	6,582,373
Transferred to investment properties *(note 14)*	**(118,930)**	–
Transferred to cost of sales *(note 6)*	**(18,079,817)**	(4,299,787)
Carrying amount at 31 December	**2,881,983**	4,094,399

As at 31 December 2019, the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB678,006,000 (2018: RMB1,538,211,000) were pledged to secure bank and other borrowings granted to the Group (note 31).

The value of completed properties held for sale is assessed at the end of each reporting period. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. 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.

24. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**20,893**	–
Impairment	**(21)**	–
	20,872	–

Trade receivables mainly represent consulting receivables from third parties and 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	**20,872**	
Over 1 year	**–**	–
	20,872	–

Receivables that were neither past due nor impaired 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%. 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 RMB21,000 as at 31 December 2019 (2018: nil).

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 **RMB'000**	2018 RMB'000
Receivables from disposal of subsidiaries	**183,000**	–
Prepayments for acquisition of land use rights	**762,933**	1,713,863
Prepaid taxes and other tax recoverables	**1,657,492**	1,277,833
Prepayments for construction cost	**135,712**	128,758
Deposits for land auction	**50,602**	285,125
Other deposits *(note)*	**706,001**	896,467
Due from non-controlling shareholders of the subsidiaries	**29,769**	18,977
Interest receivable	**–**	99,894
Prepayment for commission	**252,667**	–
Other receivables	**278,212**	138,980
	4,056,388	4,559,897
Impairment	**(1,321)**	(1,073)
	4,055,067	4,558,824

The movements in provision for impairment of receivables are as follows:

	2019 **RMB'000**	2018 RMB'000
At the beginning of the year	**1,073**	519
Impairment losses recognised *(note 6)*	**248**	554
At the end of the year	**1,321**	1,073

Note: Other deposits include deposits for wall materials, migrant workers' deposits and deposits made to general contractors subject to the construction agreements, etc.

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries, amounts due from third parties 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 RMB1,321,000 as at 31 December 2019 (2018: RMB1,073,000).

26. OTHER NON-CURRENT ASSETS

	2019 **RMB'000**	2018 RMB'000
Prepayments for equity investments	**849,800**	1,201,085
Deferred commission for external agents	**184,322**	455,463
	1,034,122	1,656,548

27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**16,598,569**	10,065,566
Less: Restricted cash	**5,749,309**	2,623,147
Pledged deposits	**290,522**	358,899
Cash and cash equivalents	**10,558,738**	7,083,520

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use. As at 31 December 2019, such restricted cash amounted to RMB3,806,383,000 (2018: RMB2,623,126,000). As at 31 December 2019, restricted cash included time deposits amounting to RMB1,718,390,000 (2018: nil), which would mature in more than three months when acquired by the Group and earn interest at the time deposit rates. As at 31 December 2019, restricted cash included construction loan mortgage amounting to RMB224,353,000 (2018: RMB14,000). As at 31 December 2019, the restricted cash amounting to RMB183,000 was frozen by the People's court due to lawsuits (2018: RMB7,000) (note 31).

As at 31 December 2019, bank deposits of RMB261,574,000 (2018: RMB327,284,000) were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes. As at 31 December 2019, bank deposits of RMB28,948,000 were pledged as security for bank and other borrowings (2018: RMB31,615,000) (note 31).

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents:		
Denominated in RMB	**9,772,241**	7,042,201
Denominated in US$	**30,470**	–
Denominated in HK$	**756,027**	41,319
	10,558,738	7,083,520

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 approximate 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 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

28. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's 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
Within 1 year	5,434,386	3,095,914
Over 1 year	22,810	46,348
	5,457,196	3,142,262

Trade and bills payables are unsecured and are normally settled based on the progress of construction.

29. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Outstanding consideration for assets acquisition	2,198,913	3,051,198
Interest payable	149,557	328,965
Deposits related to sales of properties	88,565	155,116
Other tax and surcharges	475,733	99,137
Maintenance fund	120,920	75,244
Payroll and welfare payable	69,940	48,468
Retention deposits related to construction	51,825	39,632
Commission payable	19,934	23,815
Due to non-controlling shareholders of subsidiaries	204,249	4,598
Others	90,950	72,405
	3,470,586	3,898,578

Other payables and advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables as at the end of year approximated to their corresponding carrying amounts.

30. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2019 RMB'000	2018 RMB'000
Sales of properties	34,231,211	40,196,400

The Group receives payments from customers based on billing schedules as established in the property sales. Payments are usually received in advance of the performance under the contracts which are mainly from property development.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	–	–	–	8.00	2019	50,000
Other loans – secured	9.00-15.50	2020	2,357,686	8.00-16.00	2019	2,713,907
Other loans – unsecured	8.00-12.00	2020	741,242	–	–	–
Current portion of long term bank loans – secured	5.46-10.26	2020	3,550,410	6.30-10.00	2019	3,107,694
Current portion of long term other loans – secured	10.00-15.46	2020	3,559,585	9.50-15.10	2019	3,353,363
			10,208,923			9,224,964
Non-current						
Bank loans – secured	5.23-10.26	2021-22	7,823,160	5.23-9.50	2020-21	5,914,494
Other loans – secured	5.70-15.50	2021-22	6,698,115	9.20-15.46	2020	6,371,246
			14,521,275			12,285,740
			24,730,198			21,510,704

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable		
Within one year	3,550,410	3,157,694
In the second year	4,513,400	4,516,794
In the third to fifth years, inclusive	3,309,760	1,397,700
	11,373,570	9,072,188
Other borrowings repayable		
Within one year	6,658,513	6,067,270
In the second year	6,483,115	6,371,246
In the third to fifth years, inclusive	215,000	–
	13,356,628	12,438,516
	24,730,198	21,510,704

The Group's borrowings are denominated in RMB as at 31 December 2019.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	2019 RMB'000	2018 RMB'000
Financial assets at fair value through profit or loss *(note 21)*	**105,678**	–
Investment properties *(note 14)*	**750,800**	416,067
Properties under development *(note 22)*	**25,636,686**	17,316,129
Property, plant and equipment *(note 13)*	**–**	68,172
Completed properties held for sale *(note 23)*	**678,006**	1,538,211
Pledged deposits *(note 27)*	**28,948**	31,615

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.

As at 31 December 2019, a third party 江西山葉實業有限公司 ("Jiangxi Shanye Industrial Co., Ltd.") has pledged its 100% shares in 襄陽新城悦隆房地產開發有限公司 ("Xiangyang Xincheng Yuelong Real Estate Development Co., Ltd.") for certain of the Group's bank and other borrowings up to RMB480,000,000 (2018: nil). The above-mentioned bank and other borrowings were also secured by Xiangyang Xincheng Yuelong Real Estate Development Co., Ltd.'s properties under development.

As at 31 December 2019, a third party 南京紅太陽房地產開發有限公司 ("Nanjing Red Sun Properties Co., Ltd.") has guaranteed certain of the Group's bank loans up to RMB225,000,000 (2018: nil).

As at 31 December 2019, a third party 平潭鼎新房地產發展有限公司 ("Pingtan Dingxin Development Co., Ltd.") has guaranteed certain of the Group's bank loans up to RMB28,000,000 (2018: nil).

As at 31 December 2018, 新力科技集團有限公司 ("Sinic Technology Group Co., Ltd.") has pledged with RMB1,620,000,000 as deposits for certain of the Group's bank and other borrowings up to RMB1,529,407,000 (2019: nil).

As at 31 December 2018, Mr. Zhang Yuanlin, the Controlling Shareholder of the Group, has guaranteed certain of the bank and other borrowings up to RMB1,764,700,000 (2019: nil).

As at 31 December 2018, the Controlling Shareholder and Ms. Wu Chengping have guaranteed certain of the bank and other borrowings up to RMB3,763,516,000 (2019: nil).

As at 31 December 2018, the Controlling Shareholder, Ms. Wu Chengping, Mr. Shen Linghua and Ms Ouyang Hongli have guaranteed certain of the bank and other borrowings up to RMB2,690,880,000 (2019: nil).

As at 31 December 2018, the Controlling Shareholder, Ms. Wu Chengping and Sinic Technology Group Co., Ltd. have guaranteed certain of the bank and other borrowings up to RMB3,626,493,000 (2019: nil).

As at 31 December 2018, the Controlling Shareholder, Ms. Wu Chengping, Mr. Shen Linghua, Ms. Ouyang Hongli and Sinic Technology Group Co., Ltd. have guaranteed certain of the bank and other borrowings up to RMB700,000,000 (2019: nil).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

As at 31 December 2018, Sinic Technology Group Co., Ltd. has guaranteed certain of the bank and other borrowings up to RMB1,779,407,000 (2019: nil).

As at 31 December 2018, the Controlling Shareholder, Ms. Wu Chengping and 武漢正和置業有限公司 ("Wuhan Zhenghe Properties Co., Ltd.") have guaranteed certain of the Group's bank and other borrowings up to RMB27,800,000 (2019: nil).

As at 31 December 2018, the Controlling Shareholder, Ms. Wu Chengping and Wuhan Furui Decheng Real Estate Development Co., Ltd. have guaranteed certain of the Group's bank and other borrowings up to RMB1,736,000,000; as at 31 December 2019, Wuhan Furui Decheng Real Estate Development Co., Ltd. has guaranteed certain of the Group's bank and other borrowings up to RMB1,041,600,000 as the guarantee from the Controlling Shareholder and Ms. Wu Chengping has been released in November 2019 .

32. SENIOR NOTES

Name of senior notes	1 January 2019 Opening balance RMB'000	Issued in 2019 RMB'000	Interest expense RMB'000	Payment RMB'000	**31 December 2019 Closing balance RMB'000**
Senior notes due 2020 ("2020 Notes")	–	1,161,300	39,600	(388,755)	**812,145**
Analysed into:					**812,145**
Non-current portion					**–**
Current portion					**812,145**

On 26 August 2019, the Company issued senior notes with a principal amount of US$87,000,000 due in 2020. The senior notes bears interest at 12.50% per annum which is payable quarterly in arrears. The repayment date of the senior notes is 26 February 2020. At any time prior to maturity, the Company may at its option redeem the senior notes, at a predetermined redemption price.

On 9 October 2019, the Company issued senior notes with a principal amount of US$82,940,000 due in 2020. The senior notes bears interest at 12.5% per annum which is payable quarterly in arrears. The original repayment date of the senior notes is 26 February 2020. At any time prior to maturity, the Company may at its option redeem the senior notes, at a predetermined redemption price.

On 20 November 2019, the Company redeemed part of the 2020 Notes amounting to US$50,982,000.

33. CORPORATE BONDS

Name of bonds	Opening balance RMB'000	Issued RMB'000	Interest expense RMB'000	Payment RMB'000	Closing balance RMB'000
Year 2019:					
Sinic Bond I	**317,075**	**–**	**25,018**	**(24,727)**	**317,366**
Sinic Bond II	**274,995**	**–**	**21,136**	**(20,700)**	**275,431**
Sinic Bond III	**–**	**415,674**	**22,153**	**–**	**437,827**
	592,070	**415,674**	**68,307**	**(45,427)**	**1,030,624**
Year 2018:					
Sinic Bond I	–	312,005	5,070	–	317,075
Sinic Bond II	–	274,416	579	–	274,995
	–	586,421	5,649	–	592,070

As at the end of each of the years, the Group's corporate bonds were repayable as follows:

	2019 RMB'000	2018 RMB'000
Repayable within one year	**624,072**	–
Repayable within two to five years	**406,552**	592,070
	1,030,624	592,070

On 18 October 2018, Sinic Real Estate Group Co., Ltd. issued a three-year corporate bond with a principal amount of RMB313,000,000 ("Sinic Bond I"), which was privately issued on the Shanghai Stock Exchange. Sinic Bond I is denominated in RMB and bears interest at a rate of 7.9% per annum, payable annually in arrears on 19 October or on the business day nearest hereto each year, beginning 19 October 2018. Sinic Real Estate is entitled to adjust the interest rate at the end of the second year. Upon the adjustment, bond holders may at their options ("Put Options") sell back Sinic Bond I to Sinic Real Estate.

On 21 December 2018, Sinic Real Estate issued a three-year corporate bond with a principal amount of RMB276,000,000 ("Sinic Bond II"), which was privately listed on the Shanghai Stock Exchange. Sinic Bond II is denominated in RMB and bears interest at a rate of 7.5% per annum, payable annually in arrears on 24 December or on the business day nearest hereto each year, beginning 24 December 2018. Sinic Real Estate is entitled to adjust the interest rate at the end of the second year. Upon the adjustment, the bondholders may at their option ("Put Options") sell back Sinic Bond II to Sinic Real Estate.

33. CORPORATE BONDS (continued)

On 19 April 2019, Sinic Real Estate issued a three-year corporate bond with a principal amount of RMB417,000,000 ("Sinic Bond III"), which was privately listed on the Shanghai Stock Exchange. Sinic Bond III is denominated in RMB and bears interest at a rate of 7.5% per annum, payable annually in arrears on 22 April or on the business day nearest hereto each year, beginning 22 April 2020. Sinic Real Estate is entitled to adjust the interest rate at the end of the second year. Upon the adjustment, the bondholders may at their option ("Put Options") sell back Sinic Bond III to Sinic Real Estate.

34. FINANCIAL LIABILITIES AT FVTPL

	2019 **RMB'000**	2018 RMB'000
Contingent consideration	**498**	619

On 22 March 2016, the Group acquires 100% interests of Jiangxi JunYu Industrial Co., Ltd. from the original shareholders. According to the contractual terms, the Group agreed with the original shareholders that if the profit margin of the project is higher than 10%, the Group should distribute 30% of the excess part, a contingent consideration for the business combination, to the original shareholders. The contingent consideration to be transferred to the original shareholders is recognised at fair value at the acquisition date and measured at fair value with changes in fair value recognised in profit or loss.

35. SHARE CAPITAL

Shares

	2019 HK$	2018 HK$
Issued and fully paid:		
3,570,187,000 (2018: 100) ordinary shares of HK$0.01 each (2018: HK$0.01 each)	**35,701,870**	1

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	–	–
Issue of ordinary shares	100	–
At 31 December 2018 and 1 January 2019	100	
Issue of ordinary shares	529,412,900	4,740
Issue of ordinary shares on capitalisation	2,999,999,000	26,851
Issue of ordinary shares on an over-allotment option	40,775,000	367
At 31 December 2019	3,570,187,000	31,958

The Company was incorporated in the Cayman Islands on 18 September 2018 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 at par value each.

On 18 September 2018, 95 and 5 ordinary shares of HK$0.01 were allotted by the Company for cash to Xin Hong Company Limited and Xin Heng Company Limited, respectively.

On 13 May 2019, Xin Hong Company Limited has transferred its 95 ordinary shares to Sinic Holdings Group Company Limited.

On 17 May 2019, the Company further allotted and issued 845 and 45 shares of HK$0.01 to Sinic Holdings Group Company Limited and Xin Heng Company Limited, respectively. On the same day, Forever Elite Ventures Limited transferred all the shares of Forest Resources Developments Limited to the Company in exchange for the allotment and issue by the Company of 10 shares to Forever Elite Ventures Limited.

On 15 October 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 shares of a par value of HK$0.01 each.

On 15 November 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 529,412,000 new ordinary shares with par value HK$0.01 each at HK$3.98 per share for a total cash consideration of HK$2,107,060,000 (equivalent to approximately RMB1,893,299,000). The respective share capital amount was approximately RMB4,740,000 and share premium arising from the issuance was approximately RMB1,823,312,000 net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB65,247,000 were treated as a deduction against the share premium arising from the issuance.

35. SHARE CAPITAL (continued)

Shares (continued)

On 15 November 2019, 2,999,999,000 shares were issued by way of capitalisation with par value of HK$0.01 each, the respective share capital amount was approximately RMB26,851,000.

On 11 December 2019, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 40,775,000 additional shares at HK$3.98 per share for a total cash consideration of HK$162,285,000 (equivalent to approximately RMB145,735,000). The respective share capital amount was approximately RMB367,000 and share premium arising from the issuance was approximately RMB144,632,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB736,000 were treated as a deduction against the share premium arising from the issuance.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2019 are presented in the consolidated statement of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

(c) Capital reserve

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interests in subsidiaries. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net 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.

(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.

37. 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 RMB45,381,000 and RMB45,381,000, respectively, for the year ended 31 December 2019, in respect of lease arrangements for office buildings, motor vehicles and other equipment.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Senior notes and corporate bonds RMB'000	Due to related parties RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2018	16,675,647	–	2,294,506	–	18,970,153
Changes from financing cash flows	4,764,731	592,070	(894,319)	–	4,462,482
Foreign exchange movement	70,326	–	–	–	70,326
At 31 December 2018	21,510,704	592,070	1,400,187	–	23,502,961
Effect of adoption of IFRS 16 *(notes 2 and 15)*	–	–	–	41,585	41,585
At 1 January 2019 (restated)	21,510,704	592,070	1,400,187	41,585	23,544,546
Changes from financing cash flows	3,219,494	1,182,392	4,557,177	(31,803)	8,927,260
New leases	–	–	–	45,381	45,381
Interest expense	–	68,307	–	4,949	73,256
At 31 December 2019	24,730,198	1,842,769	5,957,364	60,112	32,590,443

(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	**12,241**
Within financing activities	**31,803**
	44,044

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests were set out below:

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
31 December 2019			
Nanchang Tianju*	**40.00**	**63,523**	**96,844**
31 December 2018			
Jiangxi Hengwang Properties Co., Ltd.	49.00	94,287	170,802

* The Group has further acquired an additional 15% equity interest in Nanchang Tianju and had a 60% equity interest in Nanchang Tianju upon completion of the acquisition since April 2019.

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

31 December 2019

	Nanchang Tianju RMB'000
Revenue	546,273
Total expenses	(375,609)
Income tax expense	(47,028)
Profit and total comprehensive income for the year	123,636
Attributable to:	
Owners of the parent	116,421
Non-controlling interests	7,215
	123,636
Current assets	701,536
Non-current assets	590
Current liabilities	(460,016)
Non-current liabilities	–
	242,110
Attributable to:	
Owners of the parent	242,110
Non-controlling interests	–
	242,110
Net cash flows used in operating activities	(107,200)
Net cash flows used in investing activities	–
Net cash flows from financing activities	101,588
Net decrease in cash and cash equivalents	(5,612)

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

31 December 2018

	Jiangxi Hengwang Properties RMB'000
Revenue	761,726
Total expenses	(427,866)
Income tax expense	(141,438)
Profit and total comprehensive income for the year	192,422
Attributable to:	
Owners of the parent	192,422
Non-controlling interests	–
	192,422
Current assets	1,110,308
Non-current assets	41,929
Current liabilities	(803,661)
Non-current liabilities	–
	348,576
Attributable to:	
Owners of the parent	348,576
Non-controlling interests	–
	348,576
Net cash flows used in operating activities	(104,916)
Net cash flows used in investing activities	(366)
Net cash flows from financing activities	105,883
Net increase in cash and cash equivalents	601

39. BUSINESS COMBINATIONS

(a) Acquisition of Zhongshan Dutou

On 31 January 2019, the Group acquired a 100% equity interest in Zhongshan Dutou, an unlisted company with registered capital of RMB160,213,800 from Zhongshan Guilin Properties Co., Ltd. Zhongshan Dutou is mainly engaged in real estate development and operation. 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 RMB524,450,000 at the acquisition date.

Since the acquisition, Zhongshan Dutou contributed nil to the Group's revenue and a loss of RMB28,986,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB26,984,943,000 and RMB1,966,346,000, respectively.

The fair values of the identifiable assets and liabilities of Zhongshan Dutou as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	718,056
Property, plant and equipment	880
Cash and cash equivalents	6,182
Prepayments and other receivables	180,204
Tax recoverable	8,643
Other payables and accruals	(263,133)
Deferred tax liabilities *(note 20)*	(123,652)
Total identifiable net assets at fair value	527,180
Gains on bargain purchase recognised in other income and gains in profit or loss	(2,730)
Satisfied by cash	524,450

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash considerations	(524,450)
Cash and cash equivalents acquired	6,182
Net outflow of cash and cash equivalents included in cash flows from investing activities	(518,268)

39. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Hefei Xincheng Yuehong

On 31 August 2019, the Group acquired a 100% equity interest in Hefei Xincheng Yuehong, an unlisted company with registered capital of RMB130,000,000 from Hefei Xincheng Yirong Real Estate Co., Ltd. and Shanghai Xincheng Wansheng Corporate Management Co., Ltd. Hefei Xincheng Yuehong is mainly engaged in real estate development and operation. 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 RMB130,000,000 at the acquisition date.

Since the acquisition, Hefei Xincheng Yuehong contributed nil to the Group's revenue and a loss of RMB11,684,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB26,984,943,000 and RMB2,013,123,000, respectively.

The fair values of the identifiable assets and liabilities of Hefei Xincheng Yuehong as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	1,142,771
Cash and cash equivalents	58
Prepayments and other receivables	43
Tax recoverable	272
Trade payables	(1,373)
Other payables and accruals	(1,008,378)
Deferred tax liabilities *(note 20)*	(1,136)
Total identifiable net assets at fair value	132,257
Gains on bargain purchase recognised in other income and gains in profit or loss	(2,257)
Satisfied by cash	130,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash considerations	(130,000)
Cash and cash equivalents acquired	58
Net outflow of cash and cash equivalents included in cash flows from investing activities	(129,942)

40. DISPOSAL OF SUBSIDIARIES

(a) 廣州新力騰達房地產開發有限公司 ("Guangzhou Tengda")

Pursuant to the share transfer agreement dated 30 December 2019, the Group disposed of its 40% equity interest in 廣州新力騰達房地產開發有限公司 ("Guangzhou Sinic Tengda Real Estate Development Co., Ltd.") to 贛州丞梓實業有限公司 ("Ganzhou Chengzi Industrial Co., Ltd.") for a consideration of RMB4,000,000. Guangzhou Tengda became a joint venture of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of as at 30 December 2019.

The carrying values of the assets and liabilities of Guangzhou Tengda on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	98
Prepayments, other receivables and other assets	1,099,964
Other payables and accruals	(1,089,581)
Non-controlling interests	(988)
	9,493
Gain on disposal of Guangzhou Tengda	507
	10,000
40.00% of equity interest in Guangzhou Tengda	4,000
Disposal consideration outstanding and included in other receivables	4,000
Net outflow of cash and cash equivalents in respect of the disposal of Guangzhou Tengda	(98)

(b) 武漢新力力創置業有限公司 ("Wuhan Sinic Lichuang")

Pursuant to the share transfer agreement dated 30 November 2019, the Group disposed of its 100% equity interest in 武漢新力力創置業有限公司 ("Wuhan Sinic Lichuang Properties Co., Ltd.") to 武漢瑞錦德實業有限公司 ("Wuhan Ruijinde Industrial Co., Ltd.") for a consideration of RMB154,000,000. The consideration was determined by reference to the fair value of the equity interest disposed of as at 30 November 2019.

The carrying values of the assets and liabilities of Wuhan Sinic Lichuang on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	64,841
Prepayments, other receivables and other assets	644,562
Due from related companies	1,485,683
Properties under development	1,251,803
Properties held for sale	395,952
Property, plant and equipment	117
Deferred tax assets	56,352
Trade payables	(10,261)
Other payables and accruals	(9,329)
Income tax payable	(67,191)
Contract liabilities	(1,465,703)
Due to related companies	(2,050,201)
Interest-bearing bank and other borrowings	(160,000)
Deferred tax liabilities	(6,857)
	129,768
Gain on disposal of Wuhan Sinic Lichuang	24,232
	154,000
Disposal consideration outstanding and included in other receivables	154,000
Net outflow of cash and cash equivalents in respect in respect of the disposal of Wuhan Sinic Lichuang	(64,841)

40. DISPOSAL OF SUBSIDIARIES (continued)

(c) 贛州新力順泰置業有限公司 ("Ganzhou Sinic Shuntai")

Pursuant to the share transfer agreement dated 30 November 2019, the Group disposed of its 100% equity interest in 贛州新力順泰置業有限公司 ("Ganzhou Sinic Shuntai Properties Co., Ltd.") to 上海坤斯實業有限公司 ("Shanghai Kunsi Industrial Co., Ltd.") for a consideration of RMB25,000,000. The consideration was determined by reference to the fair value of the equity interest disposed of as at 30 November 2019.

The carrying values of the assets and liabilities of Ganzhou Sinic Shuntai on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	43,127
Prepayments, other receivables and other assets	141,584
Tax recoverable	36,422
Due from related companies	720,683
Properties under development	743,297
Property, plant and equipment	187
Intangible assets	51
Deferred tax assets	16,246
Trade payables	(117,612)
Other payables and accruals	(3,374)
Contract liabilities	(825,411)
Due to related companies	(638,160)
Deferred tax liabilities	(2,228)
Non-controlling interests	(137,952)
	(23,140)
Gain on disposal of Ganzhou Sinic Shuntai	48,140
	25,000
Disposal consideration outstanding and included in other receivables	25,000
Net outflow of cash and cash equivalents in respect of the disposal of Ganzhou Sinic Shuntai	(43,127)

(d) 惠州力新美學房地產開發有限公司 ("Huizhou Lixin Meixue")

Pursuant to the share transfer agreement dated 30 November 2019, the Group disposed of its 100% equity interest in 惠州力新美學房地產開發有限公司 ("Huizhou Lixin Meixue Real Estate Development Co., Ltd.") to a related party 江西秋念星實業有限公司 ("Jiangxi Qiunianxing Industrial Co., Ltd.") for a consideration of RMB4,330,000. The consideration was determined by reference to the fair value of the equity interest disposed of as at 30 November 2019.

40. DISPOSAL OF SUBSIDIARIES (continued)

(d) 惠州力新美學房地產開發有限公司 ("Huizhou Lixin Meixue") (continued)

The carrying values of the assets and liabilities of Huizhou Lixin Meixue on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	240,406
Prepayments, other receivables and other assets	87,118
Tax recoverable	9,602
Due from related companies	787,047
Properties under development	778,557
Property, plant and equipment	209
Deferred tax assets	16,692
Trade and notes payables	(77,467)
Other payables and accruals	(2,071)
Income tax payable	(7,827)
Contract liabilities	(579,927)
Due to related companies	(647,790)
Interest-bearing bank and other borrowings	(599,500)
	5,049
Loss on disposal of Huizhou Lixin Meixue	(719)
	4,330
Disposal consideration outstanding and included in amounts due from related companies	4,330
Net outflow of cash and cash equivalents in respect of the disposal of Huizhou Lixin Meixue	(240,406)

41. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

		2019 **RMB'000**	2018 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	*(1)*	**27,964,704**	27,465,861
Guarantees given to banks and other institutions in connection with facilities granted to related companies and third parties	*(2)*	**8,633,382**	4,854,792

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in the case of default on payments, the net realisable value of the related properties would be sufficient 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 financial facilities granted to the related companies and third parties. The directors of the Company consider that no provision is needed in respect of the guarantees since the fair value is not significant. Further details are included in note 43.

Except as disclosed above, during the year and up to the end of the year, neither the Group nor the Company were involved in any litigation, arbitration or administrative proceedings, claims or disputes which had a material adverse effect on the Group's financial condition or results of operation.

42. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but no provided for:		
– Properties under development	**16,202,939**	14,421,385
– Acquisition of equity interests	**2,069,468**	2,324,914
– Capital contributions payable to joint ventures and associates	**713,300**	79,692
	18,985,707	16,825,991

(b) Operating lease commitments as at 31 December 2018

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to six years with an option for renewal after the end of the lease terms, at which time all terms will be renegotiated.

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	28,364
In the second to fifth years, inclusive	39,600
After five years	–
	67,964

43. RELATED PARTY TRANSACTIONS

	2019 RMB'000	2018 RMB'000
(a) Significant related party transactions:		
Advances from related companies:		
Joint ventures	**5,298,948**	3,035,701
Associates	**2,389,631**	402,848
Companies controlled by the Controlling Shareholder	**39,259,462**	11,251,364
Companies owned by a family member of the Controlling Shareholder	**409,764**	955,887
Companies over which the Controlling Shareholder has significant influence	**341,886**	144,385
Repayment of advances from related companies:		
Joint ventures	**1,871,266**	2,938,152
Associates	**1,462,724**	1,682,342
Companies controlled by the Controlling Shareholder	**39,101,683**	11,251,364
Companies owned by a family member of the Controlling Shareholder	**634,308**	698,689
Companies over which the Controlling Shareholder has significant influence	**317,317**	144,385
Advances to related companies:		
Joint ventures	**9,432,671**	1,513,638
Associates	**1,282,577**	533,682
Companies controlled by the Controlling Shareholder	**12,393,134**	8,084,491
Companies owned by a family member of the Controlling Shareholder	**373,429**	364,303
Companies over which the Controlling Shareholder has significant influence	**15,946**	195,339
Repayment of advances to related companies:		
Joint ventures	**6,678,087**	558,242
Associates	**659,477**	354,514
Companies controlled by the Controlling Shareholder	**15,962,066**	8,482,963
Companies owned by a family member of the Controlling Shareholder	**373,429**	566,464
Companies over which the Controlling Shareholder has significant influence	**117,406**	123,932

NOTES TO THE FINANCIAL STATEMENTS

43. RELATED PARTY TRANSACTIONS (continued)

	2019 RMB'000	2018 RMB'000
(a) Significant related party transactions: (continued)		
Construction services provided by companies controlled by a family member of the Controlling Shareholder	**1,141,210**	1,063,711
Miscellaneous purchases from a company controlled by the Controlling Shareholder	**8,135**	10,402
Property management services provided by companies controlled by the Controlling Shareholder	**181,751**	123,798
Management consulting services provided by companies controlled by the Controlling Shareholder	**53,123**	151,960
Consulting services provided to joint ventures and associates	**20,909**	–
Sales to a family member of the Controlling Shareholder	**33,432**	32,052
Donation to a charity of which the Controlling Shareholder is the chairman	**–**	3,024

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

	2019 RMB'000	2018 RMB'000
(b) Disposal of subsidiaries		
Consideration for disposal of subsidiaries (note 40 (d))	**4,330**	–
(c) Other transactions with related parties		
Guarantees provided to related parties:		
Joint ventures	**3,662,942**	735,992
Associates	**741,740**	829,300
Company controlled by a family member of the Controlling Shareholder	**–**	700,000
Company controlled by the Controlling Shareholder	**–**	1,304,500
Companies over which the Controlling Shareholder has significant influence	**–**	130,000
Guarantees provided by related parties:		
Joint ventures	**–**	1,736,000
Controlling Shareholder	**–**	14,309,389
A family member of the Controlling Shareholder	**–**	12,544,689
Company controlled by the Controlling Shareholder	**–**	7,635,307

43. RELATED PARTY TRANSACTIONS (continued)

	2019 RMB'000	2018 RMB'000
(d) Outstanding balances with related parties		
Due from related companies:		
Trade-related:		
Companies controlled by the Controlling Shareholder	**–**	502
Companies owned by a family member of the Controlling Shareholder	**–**	27,412
Due from related companies:		
Non trade-related:		
Joint ventures	**3,728,740**	974,157
Associates	**1,067,353**	439,923
Companies controlled by the Controlling Shareholder	**–**	3,568,932
Companies over which the Controlling Shareholder has significant influence	**–**	101,460
Due to related companies:		
Trade-related:		
Companies owned by a family member of the Controlling Shareholder	**277,438**	32,654
Due to related companies:		
Non trade-related:		
Joint ventures	**4,208,565**	780,882
Associates	**1,289,013**	362,107
Companies controlled by the Controlling Shareholder	**157,779**	–
Companies owned by a family member of the Controlling Shareholder	**–**	224,544
Companies over which the Controlling Shareholder has significant influence	**24,569**	–

Balances with the above related parties were unsecured, non-interest bearing and repayable on demand.

(e) Compensation of key management personnel of the Group		
Short term employee benefits	**11,172**	9,095
Pension scheme contributions and social welfare	**764**	755
Total compensation paid to key management personnel	**11,936**	9,850

Further details of directors' emoluments are included in note 8 to the financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the 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
Trade receivables *(note 24)*	**20,872**	–	**20,872**
Financial assets included in prepayments and other receivables *(note 25)*	**918,770**	–	**918,770**
Financial assets at FVTPL *(note 21)*	–	**281,795**	**281,795**
Due from related companies *(note 43)*	**4,796,093**	–	**4,796,093**
Restricted cash *(note 27)*	**5,749,309**	–	**5,749,309**
Pledged deposits (*note 27)*	**290,522**	–	**290,522**
Cash and cash equivalents *(note 27)*	**10,558,738**	–	**10,558,738**
	22,334,304	**281,795**	**22,616,099**

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Trade and bills payables *(note 28)*	**5,457,196**	–	**5,457,196**
Due to related companies *(note 43)*	**5,957,364**	–	**5,957,364**
Financial liabilities included in other payables and accruals *(note 29)*	**2,836,348**	–	**2,836,348**
Financial liabilities at FVTPL *(note 34)*	–	**498**	**498**
Lease liabilities*(note 15)*	**60,112**	–	**60,112**
Interest-bearing bank and other borrowings *(note 31)*	**24,730,198**	–	**24,730,198**
Senior bonds *(note 32)*	**812,145**	–	**812,145**
Corporate bonds *(note 33)*	**1,030,624**	–	**1,030,624**
	40,883,987	**498**	**40,884,485**

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the 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
Long-term debt investments *(note 19)*	879,884	–	879,884
Financial assets included in prepayments and other receivables *(note 25)*	1,015,338	–	1,015,338
Financial assets at FVTPL *(note 21)*	–	64,867	64,867
Due from related companies *(note 43)*	5,112,386	–	5,112,386
Restricted cash *(note 27)*	2,623,147	–	2,623,147
Pledged deposits *(note 27)*	358,899	–	358,899
Cash and cash equivalents *(note 27)*	7,083,520	–	7,083,520
	17,073,174	64,867	17,138,041

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Trade and bills payables *(note 28)*	3,142,262	–	3,142,262
Due to related companies *(note 43)*	1,400,187	–	1,400,187
Financial liabilities included in other payables and accruals *(note 29)*	3,595,857	–	3,595,857
Financial liabilities at FVTPL *(note 34)*	–	619	619
Interest-bearing bank and other borrowings *(note 31)*	21,510,704	–	21,510,704
Corporate bonds *(note 33)*	592,070	–	592,070
	30,241,080	619	30,241,699

45. 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 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**281,795**	64,867	**281,795**	64,867
Financial liabilities				
Financial liabilities at FVTPL	**498**	619	**498**	619
Interest-bearing bank and other borrowings	**24,730,198**	21,510,704	**24,748,986**	21,519,275
Corporate bonds	**1,030,624**	592,070	**1,013,231**	590,492
Senior notes	**812,145**	–	**876,738**	–
	26,573,465	22,103,393	**26,639,453**	22,110,386

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and amounts due from/to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation results are discussed with the audit committee 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 and senior notes 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 and senior notes as at 31 December 2019 was assessed to be insignificant.

The fair values of corporate bonds are based on quoted market prices.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial liabilities at FVTPL	Scenario based method	Discount rate	15%	5% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB7,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets at fair value through profit or loss	**281,795**	**–**	**–**	**281,795**
As at 31 December 2018				
Financial assets at fair value through profit or loss	64,867	–	–	64,867

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2019				
Financial liabilities at fair value through profit or loss	**–**	**–**	**498**	**498**
As at 31 December 2018				
Financial liabilities at fair value through profit or loss	–	–	619	619

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2019				
Interest-bearing bank and other borrowings	**–**	**24,748,986**	**–**	**24,748,986**
Corporate bonds	**1,013,231**	**–**	**–**	**1,013,231**
Senior notes	**–**	**876,738**	**–**	**876,738**
	1,013,231	**25,625,724**	**–**	**26,638,955**
As at 31 December 2018				
Interest-bearing bank and other borrowings	–	21,519,275	–	21,519,275
Corporate bonds	590,492	–	–	590,492
	590,492	21,519,275	–	22,109,767

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, trade receivables, and trade 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, corporate notes, financial instruments at fair value through profit or loss, amounts with related companies and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings set out in note 31. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

As at 31 December 2019, if the interest rate of bank borrowings had increased/decreased by 1% and all other variables held constant, profit before tax for the year of the Group would have decreased/increased by approximately RMB42,216,000 (2018: RMB36,654,000).

(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 financial assets and senior notes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, HK$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in USD/RMB rate %	**Increase/ (decrease) in equity** RMB'000
31 December 2019		
If the RMB weakens against USD	**–5%**	**(39,982)**
If the RMB strengthens against USD	**+5%**	**39,982**
If the RMB weakens against HKD	**–5%**	**(111,117)**
If the RMB strengthens against HKD	**+5%**	**111,117**
31 December 2018		
If the RMB weakens against HKD	–5%	(104,601)
If the RMB strengthens against HKD	+5%	104,601

46. 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.

As at 31 December 2019

	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	20,872	–	–	–	20,872
Financial assets included in prepayments and other receivables					
– Normal**	918,770	–	–	–	918,770
Restricted cash	5,749,309	–	–	–	5,749,309
Pledged deposits	290,522	–	–	–	290,522
Cash and cash equivalents	10,558,738	–	–	–	10,558,738
	17,538,211	–	–	–	17,538,211

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	Total RMB'000
Long-term debt investments	879,884	–	–	–	879,884
Financial assets included in prepayments and other receivables					
– Normal**	1,015,338	–	–	–	1,015,338
Restricted cash	2,623,147	–	–	–	2,623,147
Pledged deposits	358,899	–	–	–	358,899
Cash and cash equivalents	7,083,520	–	–	–	7,083,520
	11,960,788	–	–	–	11,960,788

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 24 to the financial statements. There is no significant concentration of credit risk.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

46. 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, senior notes and proceeds from asset-backed securities. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2019:					
Interest-bearing bank and other borrowings	**–**	**1,957,871**	**10,320,124**	**17,161,674**	**29,439,669**
Corporate bonds	**–**	**–**	**665,702**	**448,275**	**1,113,977**
Senior notes	**–**	**–**	**848,823**	**–**	**848,823**
Lease liabilities	**–**	**8,443**	**22,906**	**37,896**	**69,245**
Financial liabilities at FVTPL	**–**	**–**	**–**	**498**	**498**
Trade and bills payables	**5,457,196**	**–**	**–**	**–**	**5,457,196**
Other payables	**3,470,586**	**–**	**–**	**–**	**3,470,586**
Due to related companies	**5,957,364**	**–**	**–**	**–**	**5,957,364**
	14,885,146	**1,966,314**	**11,857,555**	**17,648,343**	**46,357,358**
31 December 2018:					
Interest-bearing bank and other borrowings	–	2,954,475	7,870,531	13,527,630	24,352,636
Corporate bonds	–	–	45,427	679,854	725,281
Financial liabilities at FVTPL	–	–	–	619	619
Trade and bills payables	3,142,262	–	–	–	3,142,262
Other payables	3,898,578	–	–	–	3,898,578
Due to related companies	1,400,187	–	–	–	1,400,187
	8,441,027	2,954,475	7,915,958	14,208,103	33,519,563

46. 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 net gearing ratio, which is based on total indebtedness less cash and bank balances divided by total equity at the end of the year and multiplied by 100%. Total indebtedness represents total interest-bearing bank and other borrowings, corporate bonds and senior notes. The net gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings	**24,730,198**	21,510,704
Corporate bonds	**1,030,624**	592,070
Senior notes	**812,145**	–
Less: Cash and cash equivalents	**(10,558,738)**	(7,083,520)
Restricted Cash	**(5,749,309)**	(2,623,147)
Pledged deposits	**(290,522)**	(358,899)
Net debt	**9,974,398**	12,037,208
Total equity	**14,895,734**	5,060,268
Net gearing ratio	**67%**	238%

47. EVENTS AFTER THE REPORTING PERIOD

On 12 February 2020, the Company obtained a US$140 million loan facility from BOCI Leveraged & Structured Finance Limited for refinancing its existing indebtedness and for general working capital purposes. The Facility Agreement contains, among others, specific performance obligations on Mr. Zhang Yuanlin, Sinic Holdings Group Company Limited, Sinic Group Company Limited and Xin Hong Company Limited, each a controlling shareholder of the Company.

On 4 March 2020, the Company issued senior notes with a principal amount of US$280 million due in 2021 ("2021 Senior Notes") which are listed on the Singapore Exchange Securities Trading Limited for refinancing its existing indebtedness and for general working capital purposes. The 2021 Senior Notes carry an interest rate of 11.75% per annum and will fall due in March 2021.

In early 2020, a series of precautionary and control measures have been, and continued to be, implemented across China in response to the COVID-19 outbreak. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and results of operations of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

48. 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	**4,832**	–
Investments in subsidiaries	**34,116**	
Right-of-use assets	**11,348**	–
Total non-current assets	**50,296**	–
CURRENT ASSETS		
Cash and cash equivalents	**161,955**	–
Prepayments, other receivables and other assets	**7,198**	–
Due from subsidiaries	**2,570,402**	–
Total current assets	**2,739,555**	–
CURRENT LIABILITIES		
Other payables and accruals	**16,962**	–
Due to subsidiaries	**103**	–
Senior notes	**812,145**	–
Lease liabilities within one year	**5,347**	–
Total current liabilities	**834,557**	–
NET CURRENT ASSETS	**1,904,998**	–
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,955,294**	–
NON-CURRENT LIABILITIES		
Lease liabilities	**6,673**	–
Total non-current liabilities	**6,673**	–
Net assets	**1,948,621**	–
EQUITY		
Share capital	**31,958**	–
Reserves *(note)*	**1,916,663**	–
Total equity	**1,948,621**	–

48. 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	Accumulated losses RMB'000	Total RMB'000
Balance at 18 September 2018 (date of incorporation), 31 December 2018 and 1 January 2019	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(58,330)	(58,330)
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries	–	–	34,116	–	34,116
Issuance of new shares	31,958	1,940,877	–	–	1,972,835
Balance at 31 December 2019	31,958	1,940,877	34,116	(58,330)	1,948,621

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

DEFINITIONS AND GLOSSARY

"2019 Proposed Final Dividend"	a final dividend for 2019 of RMB13 cents per Share recommended by the Board
"2020 AGM"	the annual general meeting of the Company to be held on Friday, 5 June 2020
"Articles of Association"	articles of association of the Company, as amended from time to time
"ASP"	average selling price
"Audit Committee"	audit committee of the Company
"Board"	The board of Directors
"Cash and bank balances"	comprises restricted cash, pledged deposits and cash and cash equivalents
"Central and Western China Core Cities and Other Regions with High-Growth Potential"	Changsha, Wuhan, Chengdu, and cities in the central and western parts of China and other regions that are considered by the Group to be core and with high-growth potential, respectively, based on internal assessments of a wide variety of macro-economic and market factors, including but not limited to: (1) local resident population and population migration trends, (2) GDP and per capita income, (3) urbanization rate, (4) proportion of local businesses in agricultural, industrial and commercial and cultural industries, (5) investment in fixed assets, (6) disposable income of residents, (7) land price, (8) supply and demand for residential and commercial properties, (9) prices of residential properties and growth trends, (10) price-to-income ratio, (11) housing inventory and sales rate/trends, and (12) competition landscape, such as the market entries of Top 50 property developers into the local market
"CEO"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China
"Controlling Shareholder(s)"	having the meaning ascribed thereto under the Listing Rules, and in the context of this report means Mr. Zhang, Sinic Holdings Group Company Limited, Sinic Group Company Limited, Xin Heng Company Limited and Xin Hong Company Limited
"Core profit attributable to the owners of the parent"	profit attributable to the owners less the changes in fair value of investment properties (net of tax) and changes in fair value of financial assets/liabilities (net of tax)
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CREIS"	China Real Estate Index System
"Current ratio"	total current assets divided by total current liabilities
"Directors"	director(s) of the Company
"Eligible Participant(s)"	any eligible participants of the Share Option Scheme as specified therein
"GAAP"	generally-accepted accounting principles
"GDP"	gross domestic product
"GFA"	gross floor area

DEFINITIONS AND GLOSSARY

"Greater Bay Region"	the integrated economic and business hub covering areas of Hong Kong and Macau and cities in the PRC such as Guangzhou, Huizhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Jiangmen and Zhaoqing
"gross profit margin"	gross profit for the year divided by revenue for the year and multiplied by 100%
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars
"Listing"	the listing of the Company on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 November 2019, on which dealings in the Shares on the Main Board first commenced
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Zhang"	Mr. Zhang Yuanlin (張園林), chairman, executive Director and one of the Controlling Shareholders
"net gearing ratio"	total indebtedness less cash and bank balances divided by total equity at the end of the year multiplied by 100%
"Prospectus"	the prospectus of the Company dated 30 October 2019 being issued in connection with the Listing
"RMB"	Renminbi
"Register of Members"	the register of members of the Company
"Return on average equity ratio"	profit attributable to the owners of the parent for the year divided by the average balance of equity attributable to owners of the parent as of the end of the year multiplied by 100%
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme adopted by the Company on 15 October 2019
"Share(s)"	ordinary share(s) in the capital of the Company with the nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares

DEFINITIONS AND GLOSSARY

"Sinic Holdings" or "Company"	Sinic Holdings (Group) Company Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2103)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"total indebtedness"	total interest-bearing bank and other borrowings, corporate bonds and senior notes
"weighted average cost of indebtedness"	the weighted average of interest costs of all indebtedness outstanding as at the end of the year
"Yangtze River Delta Region"	the region covering Shanghai, Jiangsu Province and Zhejiang Province of the PRC, for the purpose of this report
"Year"	the financial year ended 31 December 2019
"US$"	United States dollars

FINANCIAL SUMMARY

Consolidated Income Statements

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**26,984,943**	8,415,653	5,241,086	2,223,000
Cost of sales	**(18,986,406)**	(5,272,657)	(3,473,875)	(1,673,246)
Gross Profit	**7,998,537**	3,142,996	1,767,211	549,754
Finance income	**47,178**	105,680	27,417	2,518
Other income and gains	**105,627**	5,945	7,014	374
Selling and distribution expenses	**(1,076,736)**	(657,597)	(458,382)	(214,628)
Administrative expenses	**(568,787)**	(430,192)	(225,341)	(83,044)
Other expenses	**(27,239)**	(46,219)	(47,447)	(7,210)
Fair value gains on investment properties	**164,786**	110,159	86,038	77,980
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(24,816)**	18,861	–	–
Fair value gains on financial liabilities at fair value through profit or loss	**121**	242	74	(82)
Finance costs	**(456,397)**	(425,774)	(317,165)	(99,179)
Share of profits and losses of:				
Joint ventures	**62,257**	(9,466)	(18,255)	(3,083)
Associates	**39,493**	48,854	21,239	(6,587)
Profit before income tax	**6,264,024**	1,863,489	842,403	216,813
Income tax expense	**(4,249,750)**	(1,308,536)	(564,198)	(85,936)
Profit for the year	**2,014,274**	554,953	278,205	130,877
Attributable to:				
Owners of the parent	**1,957,763**	413,538	95,021	62,437
Non-controlling interests	**56,511**	141,415	183,184	68,440
	2,014,274	554,953	278,205	130,877

Consolidated Assets, Liabilities and Equity

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets	**18,360,047**	9,720,307	8,480,131	2,910,587
Current assets	**77,863,503**	67,887,401	40,320,463	17,109,712
Total assets	**96,223,550**	77,607,708	48,800,594	20,020,299
EQUITY AND LIABILITIES				
Total equity	**14,895,734**	5,060,268	4,594,825	2,800,718
Non-current liabilities	**15,067,864**	12,998,117	7,578,036	3,461,439
Current liabilities	**66,259,952**	59,549,323	36,627,733	13,758,142
Total liabilities	**81,327,816**	72,547,440	44,205,769	17,219,581
Total equity and liabilities	**96,223,550**	77,607,708	48,800,594	20,020,299

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

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1 Tim Mei Avenue
Central, Hong Kong

The Directors
Sinic Holdings (Group) Company Limited
ABCI Capital Limited
Huatai Financial Holdings (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Sinic Holdings (Group) Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-132, which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 (the "**Relevant Periods**"), and the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 and the statements of financial position of the Company as at 31 December 2018 and 30 April 2019, 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-132 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 October 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 30 April 2019 and of the Company as at 31 December 2018 and 30 April 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial

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

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

Adjustments

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

Dividends

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

No historical financial statements for the Company

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

Yours faithfully,

Certified Public Accountants
Hong Kong
30 October 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.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
	Notes	2016	2017	2018	2018	2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
REVENUE	5	2,223,000	5,241,086	8,415,653	1,508,876	5,709,425
Cost of sales		(1,673,246)	(3,473,875)	(5,272,657)	(948,388)	(3,743,922)
GROSS PROFIT		549,754	1,767,211	3,142,996	560,488	1,965,503
Finance income		2,518	27,417	105,680	30,414	7,756
Other income and gains	5	374	7,014	5,945	2,059	4,536
Selling and distribution expenses		(214,628)	(458,382)	(657,597)	(143,420)	(192,352)
Administrative expenses		(83,044)	(225,341)	(430,192)	(92,301)	(167,610)
Other expenses		(7,210)	(47,447)	(46,219)	(13,113)	(3,192)
Fair value gains on investment properties	14	77,980	86,038	110,159	49,497	27,431
Fair value gains/(losses) on financial assets at fair value through profit or loss		—	—	18,861	6,096	(20,800)
Fair value gains/(losses) on financial liabilities at fair value through profit or loss		(82)	74	242	72	100
Finance costs	7	(99,179)	(317,165)	(425,774)	(68,650)	(185,137)
Share of profits and losses of:						
Joint ventures		(3,083)	(18,255)	(9,466)	(5,862)	482
Associates		(6,587)	21,239	48,854	(190)	(2,686)
PROFIT BEFORE TAX	6	216,813	842,403	1,863,489	325,090	1,434,031
Income tax expense	10	(85,936)	(564,198)	(1,308,536)	(279,266)	(1,151,849)
PROFIT FOR THE YEAR/PERIOD		130,877	278,205	554,953	45,824	282,182
Attributable to:						
Owners of the parent		62,437	95,021	413,538	50,862	232,661
Non-controlling interests		68,440	183,184	141,415	(5,038)	49,521
		130,877	278,205	554,953	45,824	282,182
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	12	N/A	N/A	N/A	N/A	N/A
PROFIT FOR THE YEAR/PERIOD		130,877	278,205	554,953	45,824	282,182
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):						
Exchange differences on translation of foreign operations		—	48,258	(93,916)	64,091	44,997
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		—	48,258	(93,916)	64,091	44,997
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		130,877	326,463	461,037	109,915	327,179
Attributable to:						
Owners of the parent		62,437	143,279	319,622	114,953	277,658
Non-controlling interests		68,440	183,184	141,415	(5,038)	49,521
		130,877	326,463	461,037	109,915	327,179

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2016	31 December 2017	31 December 2018	30 April 2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
NON-CURRENT ASSETS					
Property, plant and equipment	13	77,872	109,053	114,340	110,118
Right-of-use assets		—	—	—	50,062
Investment properties	14	769,280	893,500	1,153,030	1,331,030
Intangible assets	15	1,483	6,272	5,911	5,662
Investments in joint ventures	16	202,832	3,389,618	3,866,086	7,086,884
Investments in associates	17	152,413	184,451	708,072	771,640
Long-term debt investments	18	—	617,669	564,062	656,566
Deferred tax assets	19	430,262	1,065,296	1,652,258	2,008,147
Other non-current assets	24	1,276,445	2,214,272	1,656,548	1,353,910
Total non-current assets		2,910,587	8,480,131	9,720,307	13,374,019
CURRENT ASSETS					
Properties under development	20	9,201,729	28,340,270	43,560,301	48,478,273
Completed properties held for sale	21	2,313,265	1,811,813	4,094,399	4,396,742
Trade receivables	22	—	—	—	2,403
Due from related companies	41	4,127,587	4,515,427	5,112,386	7,344,419
Prepayments and other receivables	23	424,481	1,205,662	4,558,824	4,964,445
Financial assets at fair value through profit or loss	25	—	—	64,867	44,067
Long-term debt investments within one year	18	—	121,930	314,942	355,498
Tax recoverable		8,931	42,298	116,116	262,181
Restricted cash	26	266,726	1,172,860	2,623,147	3,468,422
Pledged deposits	26	67,052	233,302	358,899	754,124
Cash and cash equivalents	26	699,941	2,876,901	7,083,520	5,387,137
Total current assets		17,109,712	40,320,463	67,887,401	75,457,711
CURRENT LIABILITIES					
Trade and bills payables	27	1,571,875	2,465,463	3,142,262	3,826,234
Other payables and accruals	28	1,753,417	1,793,657	3,898,578	3,421,133
Contract liabilities	29	7,118,885	20,063,821	40,196,400	43,726,570
Due to related companies	41	193,661	2,294,506	1,400,187	2,963,273
Interest-bearing bank and other borrowings	30	2,996,600	9,249,127	9,224,964	10,334,450
Tax payable	10	122,769	760,298	1,686,313	2,773,504
Lease liabilities within one year		—	—	—	21,368
Financial liabilities at fair value through profit or loss	31	935	861	619	519
Total current liabilities		13,758,142	36,627,733	59,549,323	67,067,051
NET CURRENT ASSETS		3,351,570	3,692,730	8,338,078	8,390,660
TOTAL ASSETS LESS CURRENT LIABILITIES		6,262,157	12,172,861	18,058,385	21,764,679
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	30	3,440,900	7,426,520	12,285,740	15,111,098
Corporate bonds	32	—	—	592,070	1,023,830
Lease liabilities		—	—	—	22,007
Deferred tax liabilities	19	20,539	151,516	120,307	241,651
Total non-current liabilities		3,461,439	7,578,036	12,998,117	16,398,586
NET ASSETS		2,800,718	4,594,825	5,060,268	5,366,093
EQUITY					
Equity attributable to owners of the parent					
Share capital	33	—	—	—	—
Reserves	34	2,574,123	3,924,002	4,243,624	4,529,470
		2,574,123	3,924,002	4,243,624	4,529,470
Non-controlling interests		226,595	670,823	816,644	836,623
TOTAL EQUITY		2,800,718	4,594,825	5,060,268	5,366,093

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capita	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(RMB'000) *Note 33*	*(RMB'000)* *Note 34(a)*	*(RMB'000)* *Note 34(b)*	*(RMB'000)* *Note 34(c)*	*(RMB'000)* *Note 34(d)*	*(RMB'000)* *Note 34(e)*	*(RMB'000)* *Note 33*	*(RMB'000)* *Note 34(a)*	*(RMB'000)* *Note 34(b)*	*(RMB'000)* *Note 34(c)*
As at 1 January 2016	—	—	110,000	—	—	—	1,686	111,686	32,215	143,901
Profit and total comprehensiveincome for the year	—	—	—	—	—	—	62,437	62,437	68,440	130,877
Capital contribution by the thenequity holders of subsidiaries	—	—	2,400,000	—	—	—	—	2,400,000	—	2,400,000
Acquisition of subsidiaries										
Appropriations to statutory	—	—	—	—	—	—	—	—	125,940	125,940
surplus reserve	—	—	—	—	10,450	—	(10,450)	—	—	—
As at 31 December 2016 and 1 January 2017	—	—*	2,510,000*	—*	10,450*	—*	53,673*	2,574,123	226,595	2,800,718
Profit for the year	—	—	—	—	—	—	95,021	95,021	183,184	278,205
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	48,258	—	48,258	—	48,258
Total comprehensive income for the year	—	—	—	—	—	48,258	95,021	143,279	183,184	326,463
Capital contribution by the then equity holders of subsidiaries	—	—	3,000,000	—	—	—	—	3,000,000	—	3,000,000
Acquisition of subsidiaries by the Group from the then equity holders of subsidiaries	—	—	(1,793,400)	—	—	—	—	(1,793,400)	—	(1,793,400)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	261,044	261,044
Appropriations to statutory surplus reserve	—	—	—	—	56,660	—	(56,660)	—	—	—
As at 31 December 2017 and 1 January 2018	—	—*	3,716,600*	—*	67,110*	48,258*	92,034*	3,924,002	670,823	4,594,825
Profit for the year	—	—	—	—	—	—	413,538	413,538	141,415	554,953
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(93,916)	—	(93,916)	—	(93,916)
Total comprehensive income for the year	—	—	—	—	—	(93,916)	413,538	319,622	141,415	461,037
Capital contribution by the non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	4,405	4,405
Disposal of subsidiaries	—	—	—	—	—	—	—	—	1	1
Appropriations to statutory surplus reserve	—	—	—	—	128,558	—	(128,558)	—	—	—
As at 31 December 2018	—	—*	3,716,600*	—*	195,668*	(45,658)*	377,014*	4,243,624	816,644	5,060,268

	Attributable to owners of the parent									
	Share capita	**Share premium**	**Merger reserve**	**Capital reserve**	**Statutory surplus reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	(RMB'000) Note 33	*(RMB'000) Note 34(a)*	*(RMB'000) Note 34(b)*	*(RMB'000) Note 34(c)*	*(RMB'000) Note 34(d)*	*(RMB'000) Note 34(e)*	*(RMB'000) Note 33*	*(RMB'000) Note 34(a)*	*(RMB'000) Note 34(b)*	*(RMB'000) Note 34(c)*
As at 31 December 2018 and 1 January 2019	—	—	3,716,600	—	195,668	(45,658)	377,014	4,243,624	816,644	5,060,268
Profit for the period	—	—	—	—	—	—	232,661	232,661	49,521	282,182
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	44,997	—	44,997	—	44,997
Total comprehensive income for the period	—	—	—	—	—	44,997	232,661	277,658	49,521	327,179
Acquisition of non-controlling interests	—	—	—	8,188	—	—	—	8,188	(98,176)	(89,988)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	7,634	7,634
Capital contribution by the non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	61,000	61,000
As at 30 April 2019	—	—*	3,716,600*	8,188*	195,668*	(661)*	609,675*	4,529,470	836,623	5,366,093
As at 31 December 2017 and 1 January 2018	—	—	3,716,600	—	67,110	48,258	92,034	3,924,002	670,823	4,594,825
Profit for the period (unaudited) . . .	—	—	—	—	—	—	50,862	50,862	(5,038)	45,824
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations (unaudited) . . .	—	—	—	—	—	64,091	—	64,091	—	64,091
Total comprehensive income for the period (unaudited)	—	—	—	—	—	64,091	50,862	114,953	(5,038)	109,915
Capital contribution by the non-controlling shareholders of subsidiaries (unaudited)	—	—	—	—	—	—	—	—	4,405	4,405
Disposal of subsidiaries (unaudited) .	—	—	—	—	—	—	—	—	1	1
As at 30 April 2018 (unaudited) . . .	—	—	3,716,600	—	67,110	112,349	142,896	4,038,955	670,191	4,709,146

* These reserve accounts represent the total combined reserves of RMB2,574,123,000, RMB3,924,002,000, RMB4,243,624,000 and RMB4,529,470,000 in the combined statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		216,813	842,403	1,863,489	325,090	1,434,031
Adjustments for:						
Depreciation of items of property, plant and equipment	6,13	4,831	8,872	19,435	6,680	8,312
Depreciation of right-of-use assets		—	—	—	—	7,690
Amortisation of other intangible assets	6,15	60	581	820	126	283
Gain on bargain purchase	36	—	(6,180)	—	—	(2,730)
Gain on disposal of subsidiaries		—	—	(1,187)	(597)	—
Share of profits and losses of joint ventures		3,083	18,255	9,466	5,862	(482)
Share of profits and losses of associates		6,587	(21,239)	(48,854)	190	2,686
Fair value gains on investment properties	14	(77,980)	(86,038)	(110,159)	(49,497)	(27,431)
Gain on disposal of items of property, plant and equipment		—	—	(474)	(57)	—
Fair value (gains)/losses on financial assets at fair value through profit or loss		—	—	(18,861)	(6,096)	20,800
Fair value (gains)/losses on financial liabilities at fair value through profit or loss	82	(74)	(242)	(72)	(100)	
Finance costs	7	99,179	317,165	425,774	68,650	185,137
Interest income		(2,518)	(27,417)	(105,680)	(30,414)	(7,756)
		250,137	1,046,328	2,033,527	319,865	1,620,440
Increase in properties under development and completed properties held for sale		(7,595,376)	(16,532,346)	(15,063,889)	(4,396,913)	(3,243,214)
Decrease/(increase) in prepayments and other receivables		429,911	(620,745)	(3,275,158)	(1,237,916)	(232,210)
Increase in other non-current assets		(15,301)	(154,807)	(285,355)	(183,790)	(64,003)
Increase in restricted cash		(33,401)	(906,134)	(1,450,287)	(719,972)	(845,275)
Decrease/(increase) in pledged deposits		22,728	(166,250)	(125,597)	(30,946)	(395,225)
Increase in trade receivables		—	—	—	—	(2,403)
Increase in trade and bills payables		207,197	680,613	676,799	23,471	683,972
Increase/(decrease) in other payables and accruals		1,457,593	(765,341)	1,828,039	594,637	(729,747)
Increase in contract liabilities		3,763,738	12,599,733	19,329,198	7,507,918	3,007,681
(Increase)/decrease in amounts due from related parties		(5,833)	(40,751)	8,379	4,633	250
(Decrease)/increase in amounts due to related parties		(291)	10,798	30,428	16,391	45,914
Cash (used in)/generated from operations		(1,518,898)	(4,848,902)	3,706,084	1,897,378	(153,820)
Interest received		2,518	21,787	27,676	4,815	7,756
Interest paid		(274,292)	(1,080,385)	(934,323)	(267,109)	(631,319)
Tax paid		(246,822)	(640,278)	(1,074,510)	(450,646)	(560,277)
Net cash flows (used in)/generated from operating activities		(2,037,494)	(6,547,778)	1,724,927	1,184,438	(1,337,660)

	Notes	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(29,290)	(40,215)	(26,607)	(18,279)	(3,345)
Purchase of intangible assets		(1,530)	(5,378)	(459)	(8)	(34)
Increase in investment properties		(389,055)	(38,182)	(149,371)	(7,403)	(150,569)
Acquisition of subsidiaries		—	(472,181)	—	—	(518,268)
Acquisition of financial assets at fair value through profit or loss		—	—	(46,006)	(46,006)	—
Investments in joint ventures		(205,915)	(3,205,041)	(485,934)	—	(2,793,933)
Investments in associates		(159,000)	(10,799)	(474,767)	(80,605)	(66,254)
Advances to third parties		—	(739,599)	(139,405)	(82,549)	(133,060)
Disposal of intangible assets		—	8	—	—	—
Disposal of items of property, plant and equipment		21	162	2,359	1,502	135
Net cash flows used in investing activities		(784,769)	(4,511,225)	(1,320,190)	(233,348)	(3,665,328)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution by the then equity holder of subsidiaries		2,400,000	3,000,000	—	—	—
Proceeds from issue of corporate bonds		—	—	586,421	—	415,674
Capital contribution from non-controlling shareholders of the subsidiaries		—	—	4,405	4,405	61,000
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries		—	(1,793,400)	—	—	—
Advances to related companies		(4,729,414)	(15,737,754)	(10,691,453)	(2,577,241)	(5,291,241)
Repayment of advances to related. companies		1,666,099	15,390,665	10,086,115	2,400,408	3,058,958
Advances from related companies		2,091,781	11,781,903	15,790,185	4,364,422	4,007,338
Repayment of advances from related companies		(2,659,055)	(9,691,856)	(16,714,932)	(4,176,165)	(2,916,549)
Payment of lease liabilities		—	—	—	—	(8,416)
Proceeds from interest-bearing bank and other borrowings		6,336,000	14,277,747	16,367,769	2,356,167	9,696,650
Repayment of interest-bearing bank and other borrowings		(1,619,500)	(4,039,600)	(11,603,038)	(2,982,687)	(5,730,648)
Net cash flows generated from/(used in) financing activities		3,485,911	13,187,705	3,825,472	(610,691)	3,292,766
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		663,648	2,128,702	4,230,209	340,399	(1,710,222)
Cash and cash equivalents at beginning of year/period		36,293	699,941	2,876,901	2,876,901	7,083,520
Effect of foreign exchange rate, net		—	48,258	(23,590)	18,057	13,839
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		699,941	2,876,901	7,083,520	3,235,357	5,387,137
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	26	1,033,719	4,283,063	10,065,566	5,392,437	9,609,683
Less: Restricted cash	26	266,726	1,172,860	2,623,147	1,892,832	3,468,422
Pledged deposits	26	67,052	233,302	358,899	264,248	754,124
CASH AND CASH EQUIVALENTS AS STATED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		699,941	2,876,901	7,083,520	3,235,357	5,387,137

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	**31 December 2018**	**30 April 2019**
		(RMB'000)	*(RMB'000)*
NON-CURRENT ASSETS			
Right-of-use assets		—	15,973
CURRENT ASSETS			
Cash and cash equivalents		—	—
CURRENT LIABILITIES			
Due to a subsidiary		—	6,813
Lease liabilities within one year		—	562
Total current liabilities		—	7,375
NET CURRENT LIABILITIES		—	7,375
TOTAL ASSETS LESS CURRENT LIABILITIES		—	8,598
NON-CURRENT LIABILITIES			
Lease liabilities		—	8,812
NET ASSETS		—	(214)
EQUITY			
Share capital	33	—	—
Reserves		—	(214)
TOTAL EQUITY		—	(214)

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in property development and property leasing (the "**Listing Business**"). The controlling shareholders of the Group are Mr. Zhang Yuanlin, Sinic Holdings Group Company Limited, Sinic Group Company Limited, Xin Hong Company Limited and Xin Heng Company Limited (the "**Controlling Shareholders**").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation which was completed on 17 May 2019 as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of the report, the Company had direct or indirect interests in more than 200 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 principal subsidiaries are set out as below.

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
Directly held:					
力悦有限公司 Li Yue Company Limited ("**Li Yue BVI**")	*(3)*	British Virgin Islands/ 21 September 2018	United States dollar ("US$") 0.001	100%	Investment holding
森源發展有限公司 Forest Resources Developments Limited ("**Forest Resources BVI**")	*(3)*	British Virgin Islands/ 21 February 2019	US$0.001	100%	Investment holding
力誠有限公司 Li Cheng Company Limited ("**Li Cheng BVI**")	*(3)*	British Virgin Islands/ 21 September 2018	US$0.001	100%	Investment holding
力合控股有限公司 Li He Holdings Limited ("**Li He BVI**")	*(3)*	British Virgin Islands/ 21 September 2018	US$0.001	100%	Investment holding
力鋭控股有限公司 Li Rui Holdings Limited ("**Li Rui BVI**")	*(3)*	British Virgin Islands/ 21 September 2018	US$0.001	100%	Investment holding
Indirectly held:					
力悦(香港)控股有限公司 Li Yue (HK) Holdings Limited ("**Li Yue HK**")	*(3)*	Hong Kong/ 25 October 2018	Hong Kong dollar ("HK$") 0.1	100%	Investment holding
新星電子有限公司 Icons Electronics Limited ("**Icons Electronics HK**")	*(3)*	Hong Kong/ 1 February 2019	HK$0.001	100%	Investment holding
江西新力商務諮詢有限公司 Jiangxi Sinic Business Consultancy Co., Ltd. ("**Sinic Business Consultancy**")	*(3)*	People's Republic of China ("**PRC**")/ Mainland China 28 February 2019	RMB100,000	100%	Investment holding

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
江西新力企業管理有限公司 Jiangxi Sinic Corporate Management Co., Ltd. ("**Sinic Management**") . .	*(3)*	PRC/Mainland China 22 January 2019	RMB101,010	100%	Investment holding
新力地產集團有限公司 Sinic Real Estate Group Co., Ltd. ("**Sinic Real Estate**")	*(4)*	PRC/Mainland China 14 March 2017	RMB3,000,000	100%	Investment holding
江西新力置地投資有限公司 Jiangxi Sinic Properties Investment Co., Ltd. ("**Jiangxi Sinic Properties**")	*(5)*	PRC/Mainland China 25 March 2010	RMB2,500,000	100%	Property development
豐城贛鐵置業有限公司 Fengcheng Gantie Properties Co., Ltd. ("**Fengcheng Gantie Properties**")	*(1,6)*	PRC/Mainland China 28 December 2011	RMB6,000	64%	Property development
南昌天華置業有限公司 Nanchang Tianhua Properties Co., Ltd. ("**Nanchang Tianhua Properties**")	*(7)*	PRC/Mainland China 22 July 2015	RMB200,000	100%	Property development
江西恒望置業有限公司 Jiangxi Hengwang Properties Co., Ltd. ("**Jiangxi Hengwang Properties**")	*(1,8)*	PRC/Mainland China 12 July 2012	RMB102,040	51%	Property development
江西澳斯屯實業有限公司 Jiangxi Aositun Industrial Co., Ltd. ("**Jiangxi Aositun Industrial**")	*(9)*	PRC/Mainland China 27 July 2002	RMB50,000	100%	Property development
江西駿宇實業有限公司 Jiangxi JunYu Industrial Co., Ltd. ("**Jiangxi JunYu Industrial**")	*(10)*	PRC/Mainland China 24 May 2007	RMB30,000	100%	Property development
南昌寶葫蘆農莊有限公司 Nanchang Baohulu Farm Co., Ltd. ("**Nanchang Baohulu Farm**")	*(11)*	PRC/Mainland China 10 May 2007	RMB179,620	100%	Property development
武漢保和優誠置業有限公司 Wuhan Baoheyoucheng Properties Co., Ltd. ("**Wuhan Baoheyoucheng Properties**")	*(1,3)*	PRC/Mainland China 4 December 2015	RMB57,300	70%	Property development
武漢新力力創置業有限公司 Wuhan Sinic Lichuang Properties Co., Ltd. ("**Wuhan Sinic Lichuang Properties**")	*(3)*	PRC/Mainland China 25 August 2016	RMB30,000	100%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
贛州新力力合置業有限公司 Ganzhou Sinic Lihe Properties Co., Ltd. ("**Ganzhou Sinic Lihe Properties**")	*(12)*	PRC/Mainland China 10 April 2017	RMB10,000	100%	Property development
贛州新力未來置業有限公司 Ganzhou Sinic Weilai Properties Co., Ltd. ("**Ganzhou Sinic Weilai Properties**")	*(13)*	PRC/Mainland China 18 May 2017	RMB10,000	100%	Property development
贛州市匯鑫置業有限公司 Ganzhou Sinic Huixin Properties Co., Ltd. ("**Ganzhou Sinic Huixin Properties**")	*(1,14)*	PRC/Mainland China 17 August 2011	RMB10,000	60%	Property development
綠色奔跑置業(北京)有限公司Lvse Benpao Properties (Beijing) Co., Ltd. ("**Lvse Benpao Properties (Beijing)**")	*(15)*	PRC/Mainland China 13 April 2016	RMB10,000	100%	Property development
惠州新力弘發房地產開發有限公司 Huizhou Sinic Hongfa Real Estate Development Co., Ltd. ("**Huizhou Sinic Hongfa Real Estate Development**")	*(3)*	PRC/Mainland China 27 April 2017	RMB20,000	100%	Property development
廣東強科地產有限公司 Guangdong Qiangke Real Estate Co., Ltd. ("**Guangdong Qiangke Real Estate**")	*(3)*	PRC/Mainland China 3 June 2005	RMB5,100	100%	Property development
廣東強科地產有限公司 Guangdong Qiangke Real Estate Co., Ltd. ("**Guangdong Qiangke Real Estate**")	*(3)*	PRC/Mainland China 3 June 2005	RMB5,100	100%	Property development
惠州新力無限房地產開發有限公司 Huizhou Sinic Wuxian Real Estate Development Co., Ltd. ("**Huizhou Sinic Wuxian Real Estate Development**")	*(3)*	PRC/Mainland China 1 November 2016	RMB100,000	100%	Property development
南昌天巨實業有限公司 Nanchang Tianju Industrial Co., Ltd. ("**Nanchang Tianju Industrial**")	*(1,3, 16)*	PRC/Mainland China 17 November 2010	RMB5,000	60%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
惠州新力美學房地產開發有限公司Huizhou Sinic Meixue Real Estate Development Co., Ltd. ("**Huizhou Sinic Meixue Real Estate Development**")	*(3)*	PRC/Mainland China 1 November 2016	RMB100,000	100%	Property development
惠州市均林實業有限公司 Huizhou Junlin Industrial Co., Ltd. ("**Huizhou Junlin Industrial**")	*(2,3)*	PRC/Mainland China 13 September 2013	RMB5,000	100%	Property development
湖南新淼房地產開發有限公司Hunan Xinmiao Real Estate Development Co., Ltd. ("**Hunan Xinmiao Real Estate Development**")	*(1,3)*	PRC/Mainland China 29 March 2017	RMB50,000	99%	Property development
湖南新川房地產開發有限公司Hunan Xinchuan Real Estate Development Co., Ltd. ("**Hunan Xinchuan Real Estate Development**")	*(1,3)*	PRC/Mainland China 29 March 2017	RMB50,000	99%	Property development
湖南新林房地產開發有限公司Hunan Xinlin Real Estate Development Co., Ltd. ("**Hunan Xinlin Real Estate Development**") . .	*(1,3)*	PRC/Mainland China 30 March 2017	RMB50,000	99%	Property development
北京裡士滿信息諮詢有限公司Beijing Lishiman Information Consulting Co., Ltd. ("**Beijing Lishiman Information Consulting**")	*(3)*	PRC/Mainland China 10 August 2016	RMB50,000	100%	Management consulting
南昌順泰置業有限公司 Nanchang Shuntai Properties Co., Ltd. ("**Nanchang Shuntai Properties**")	*(1,17)*	PRC/Mainland China 21 April 2014	RMB100,000	70%	Property development
惠州新力泓逸房地產開發有限公司Huizhou Sinic Hongyi Real Estate Development Co., Ltd. ("**Huizhou Sinic Hongyi Real Estate Development**")	*(3)*	PRC/Mainland China 21 April 2017	RMB20,000	100%	Property development
昆山萊克斯投資有限公司 Kunshan Laikesi Investment Co., Ltd. ("**Kunshan Laikesi Investment**")	*(18)*	PRC/Mainland China 5 January 2012	RMB100,000	100%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
上海新悅力和房地產開發有限公司Shanghai Xinyue Lihe Real Estate Development Co., Ltd. ("**Shanghai Xinyue Lihe Real Estate Development**")	*(3)*	PRC/Mainland China 13 January 2017	RMB100,000	100%	Property development
江西億創置業投資有限公司 Jiangxi Yichuang Properties Investment Co., Ltd. ("**Jiangxi Yichuang Properties Investment**") .	*(3)*	PRC/Mainland China 7 April 2016	RMB10,000	100%	Investment development
贛州新悅力創房地產開發有限公司Ganzhou Xinyuelichuang Real Estate Development Co., Ltd. ("**Ganzhou Xinyuelichuang Real Estate Development**") . .	*(3)*	PRC/Mainland China 10 March 2017	RMB200,000	100%	Investment development
惠州力新美學房地產開發 有限公司Huizhou Lixinmeixue Real Estate Development Co., Ltd. ("**Huizhou Lixinmeixue Real Estate Development**")	*(2,3)*	PRC/Mainland China 16 January 2017	RMB100,000	100%	Investment development
惠州市旺友實業有限公司 Huizhou Wangyou Industrial Co., Ltd. ("**Huizhou Wangyou Industrial**")	*(3)*	PRC/Mainland China 26 January 2011	RMB10,000	100%	Property development
惠州市天華宇實業有限公司 Huizhou Tianhuayu Industrial Co., Ltd. ("**Huizhou Tianhuayu Industrial**")	*(3)*	PRC/Mainland China 25 May 2012	RMB1,000	100%	Property development
長沙新力鴻房地產開發有限公司Changsha Sinic Hong Real Estate Development Co., Ltd. ("**Changsha Sinic Hong Real Estate Development**")	*(3)*	PRC/Mainland China 13 October 2017	RMB20,000	100%	Property development
清遠市萬力源投資置業 有限公司Qingyuan Wanliyuan Investment Properties Co., Ltd. ("**Qingyuan Wanliyuan Investment Properties**")	*(3)*	PRC/Mainland China 1 February 2010	RMB25,000	100%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
江西力睿置業投資有限公司 Jiangxi Lirui Property Investment Co., Ltd. ("**Jiangxi Lirui Property Investment**")	*(3)*	PRC/Mainland China 7 April 2016	RMB10,000	100%	Property development
江西淳華房地產開發有限公司Jiangxi Chunhua Real Estate Development Co., Ltd. ("**Jiangxi Chunhua Real Estate Development**")	*(19)*	PRC/Mainland China 8 September 2016	RMB10,000	100%	Property development
江西新沃房地產開發有限公司Jiangxi Xinwo Real Estate Development Co., Ltd. ("**Jiangxi Xinwo Real Estate Development**")	*(3)*	PRC/Mainland China 3 May 2017	RMB50,000	100%	Property development
湖南新力在悅房地產開發有限公司Hunan Sinic Zaiyue Real Estate Development Co., Ltd. ("**Hunan Sinic Zaiyue Real Estate Development**")	*(3)*	PRC/Mainland China 13 March 2017	RMB200,000	100%	Property development
無錫富安金邸房地產有限公司Wuxi Fuan Jindi Real Estate Co., Ltd. ("**Wuxi Fuan**")	*(3)*	PRC/Mainland China 17 July 2013	RMB100,000	100%	Property development
惠州市湯普實業有限公司 Huizhou Tangpu Industrial Co., Ltd. ("**Huizhou Tangpu Industrial**")	*(20)*	PRC/Mainland China 15 May 2002	US$109,600	100%	Property development
江西傲宇房地產開發有限公司Jiangxi Aoyu Real Estate Development Co., Ltd. ("**Jiangxi Aoyu Real Estate Development**") . .	*(3)*	PRC/Mainland China 19 August 2016	RMB10,000	100%	Property development
香港澳銘企業管理有限公司 Hong Kong Oeming Enterprise Management Co., Ltd. ("**Oeming Enterprise**")	*(21)*	Hong Kong/ 12 September 2016	HK$0.001	100%	Investment holding
武漢新力在和房地產集團有限公司Wuhan Sinic Zaihe Real Estate Group Co., Ltd. ("**Wuhan Sinic Zaihe Real Estate Group**") . . .	*(3)*	PRC/Mainland China 10 March 2017	RMB50,000	100%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
江西鴻禎房地產開發有限公司Jiangxi Hongzhen Estate Development Co., Ltd. ("**Jiangxi Hongzhen Real Estate Development**")	*(3)*	PRC/Mainland China 28 September 2016	RMB100,000	100%	Property development
湖南新卓房地產開發有限公司Hunan Xinzhuo Real Estate Development Co., Ltd. ("**Hunan Xinzhuo Real Estate Development**")	*(3)*	PRC/Mainland China 30 March 2017	RMB285,710	100%	Property development
江西贛越房地產開發有限公司Jiangxi Ganyue Real Estate Development Co., Ltd. ("**Jiangxi Ganyue Real Estate Development**")	*(22)*	PRC/Mainland China 21 November 2017	RMB100,000	100%	Property development
惠州新力未來房地產開發有限公司Huizhou Sinic Weilai Real Estate Development Co., Ltd. ("**Huizhou Sinic Weilai Real Estate Development**")	*(3)*	PRC/Mainland China 1 November 2016	RMB100,000	100%	Property development
惠州力新無限房地產開發有限公司Huizhou Lixin Wuxian Real Estate Development Co., Ltd. ("**Huizhou Lixin Wuxian Real Estate Development**")	*(3)*	PRC/Mainland China 16 January 2017	RMB100,000	100%	Property development
江西新瀚置業有限公司 Jiangxi Xinhan Properties Co., Ltd. ("**Jiangxi Xinhan Properties**")	*(2,23)*	PRC/Mainland China 10 December 2015	RMB100,000	100%	Property development
武漢新力聖宇房地產開發有限公司Wuhan Sinic Shengyu Real Estate Development Co., Ltd. ("**Wuhan Sinic Shengyu Real Estate Development**")	*(3)*	PRC/Mainland China 23 March 2017	RMB50,000	100%	Property development
武漢新力中成房地產開發有限公司Wuhan Sinic Zhongcheng Real Estate Development Co., Ltd. ("**Wuhan Sinic Zhongcheng Real Estate Development**")	*(1,3)*	PRC/Mainland China 24 March 2017	RMB50,000	100%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
成都力聯房地產開發有限公司Chengdu Lilian Real Estate Development Co., Ltd. ("**Chengdu Lilian Real Estate Development**")	*(3)*	PRC/Mainland China 31 August 2017	RMB50,000	100%	Property development
江西中河置業有限公司 Jiangxi Zhonghe Properties Co., Ltd. ("**Jiangxi Zhonghe Properties**")	*(3)*	PRC/Mainland China 25 March 2014	RMB200,000	100%	Property development
南昌名門世家房產開發經營有限責任公司Nanchang Mingmen Shijia Real Estate Development Co., Ltd. ("**Nanchang Mingmen Shijia Real Estate Development**") . .	*(24)*	PRC/Mainland China 21 October 2014	RMB20,000	100%	Property development
湖北華中盤龍收藏品交易市場開發有限公司Hubei Huazhong Panlong Collectibles Market Development Co., Ltd. ("**Hubei Huazhong Panlong Collectibles Market Development**") . .	*(3)*	PRC/Mainland China 27 May 2011	RMB50,000	100%	Property development
江西璽瑞實業有限公司 Jiangxi Xirui Industrial Co., Ltd. ("**Jiangxi Xirui Industrial**")	*(1,25)*	PRC/Mainland China 20 November 2013	RMB20,400	100%	Property development
贛州新力順泰置業有限公司 Ganzhou Sinic Shuntai Properties Co., Ltd. ("**Ganzhou Sinic Shuntai Properties**")	*(3)*	PRC/Mainland China 10 April 2017	RMB4,000	100%	Property development
惠州市美麗置業有限公司 Huizhou Meili Properties Co., Ltd. ("**Huizhou Meili Properties**")	*(3)*	PRC/Mainland China 14 April 2010	RMB40,000	100%	Property development
長沙旺國置業有限公司 Changsha Wangguo Properties Co., Ltd. ("**Changsha Wangguo Properties**")	*(1,3)*	PRC/Mainland China 7 December 2015	RMB100,000	94%	Property development
長沙新力湘房地產開發有限公司Changsha Sinic Xiang Real Estate Development Co., Ltd. ("**Changsha Sinic Xiang Real Estate Development**")	*(1,26)*	PRC/Mainland China 13 July 2017	RMB226,421	99%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
江蘇中原置業有限公司 Jiangsu Zhongyuan Properties Co., Ltd. ("**Jiangsu Zhongyuan Properties**")	*(27)*	PRC/Mainland China 30 June 2005	RMB77,200	100%	Property development
江西和之信投資有限公司 Jiangxi Hezhixin Investment Co., Ltd. ("**Jiangxi Hezhixin Investment**")	*(28)*	PRC/Mainland China 6 April 2011	RMB150,000	100%	Property development
江西新爵置業投資有限公司 Jiangxi Xinjue Property Investment Co., Ltd. ("**Jiangxi Xinjue Property Investment**") . .	*(3)*	PRC/Mainland China 26 February 2016	RMB10,000	100%	Investment holding
江西金麒麟置業有限公司 Jiangxi Gold Qilin Properties Co., Ltd. ("**Jiangxi Gold Qilin Properties**")	*(29)*	PRC/Mainland China 28 March 2007	RMB20,000	100%	Property development
惠州市均城投資有限公司 Huizhou Juncheng Investment Co., Ltd. ("**Huizhou Juncheng Investment Estate**")	*(3)*	PRC/Mainland China 5 June 2009	RMB10,000	100%	Property development
江西運發實業有限公司 Jiangxi Yunfa Industrial Co., Ltd. ("**Jiangxi Yunfa Industrial**")	*(2,30)*	PRC/Mainland China 28 June 2013	RMB61,230	100%	Property development
成都力新淼房地產開發有限公司Chengdu Lixinmiao Real Estate Development Co., Ltd. ("**Chengdu Lixinmiao Real Estate Development**")	*(3)*	PRC/Mainland China 11 December 2017	RMB10,000	100%	Property development
成都新力錦業房地產開發有限公司Chengdu Sinic Jinye Real Estate Development Co., Ltd. ("**Chengdu Sinic Jinye Real Estate Development**")	*(3)*	PRC/Mainland China 27 April 2018	RMB10,000	100%	Property development
廣州新力展裕投資有限公司 Guangzhou Sinic Zhanyu Investment Co., Ltd. ("**Guangzhou Sinic Zhanyu Investment**") . . .	*(3)*	PRC/Mainland China 16 March 2018	RMB10,000	100%	Property development
湖南悦禧置業有限公司 Hunan Yuexi Properties Co., Ltd. ("**Hunan Yuexi Properties**")	*(1,3)*	PRC/Mainland China 5 December 2006	RMB30,000	99%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
惠陽區威宇實業發展有限公司Huiyang Weiyu Industrial Development Co., Ltd. ("**Huiyang Weiyu Industrial Development**")	*(3)*	PRC/Mainland China 29 March 2002	RMB50,000	100%	Property development
江西匯濤實業有限公司 Jiangxi Huitao Industrial Co., Ltd. ("**Jiangxi Huitao Industrial**")	*(31)*	PRC/Mainland China 2 September 2016	RMB600,000	100%	Property development
武漢市升陽房地產發展有限公司Wuhan Shengyang Real Estate Development Co., Ltd. ("**Wuhan Shengyang Real Estate Development**")	*(32)*	PRC/Mainland China 14 June 2013	RMB10,000	100%	Property development
江西海越房地產開發有限公司Jiangxi Haiyue Real Estate Development Co., Ltd. ("**Jiangxi Haiyue Real Estate Development**")	*(3)*	PRC/Mainland China 23 October 2018	RMB50,000	100%	Property development
江西新騰房地產開發有限公司Jiangxi Xinteng Real Estate Development Co., Ltd. ("**Jiangxi Xinteng Real Estate Development**")	*(33)*	PRC/Mainland China 19 January 2018	RMB10,000	100%	Property development
江西新潯房地產開發有限 公司Jiangxi Xinxun Real Estate Development Co., Ltd. ("**Jiangxi Xinxun Real Estate Development**")	*(34)*	PRC/Mainland China 19 January 2018	RMB10,000	100%	Property development
江西陽焱房地產開發 有限公司Jiangxi Yangyan Real Estate Development Co., Ltd. ("**Jiangxi Yangyan Real Estate Development**")	*(2,3)*	PRC/Mainland China 30 September 2016	RMB100,000	100%	Property development
惠州市勝源投資有限公司 Huizhou Shengyuan Investment Co., Ltd. ("**Huizhou Shengyuan**") .	*(3)*	PRC/Mainland China 16 June 2011	RMB5,000	100%	Property development
蘇州新力在悦房地產有限 公司Suzhou Sinic Zaiyue Real Estate Co., Ltd. ("**Suzhou Sinic Zaiyue Real Estate**")	*(3)*	PRC/Mainland China 13 February 2017	RMB100,000	100%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			(‘000)		
南昌新銘房地產開發有限公司Nanchang Xinming Real Estate Development Co., Ltd. (“**Nanchang Xinming Real Estate Development**”)	*(35)*	PRC/Mainland China 18 December 2017	RMB20,000	100%	Property development
南昌梓棟房地產開發有限公司Nanchang Zidong Real Estate Development Co., Ltd. (“**Nanchang Zidong Real Estate Development**”)	*(36)*	PRC/Mainland China 31 January 2018	RMB20,000	100%	Property development
浮梁縣靜妤實業有限公司 Fuliang Jingshu Industrial Co., Ltd. (“**Fuliang Jingshu**”)	*(3)*	PRC/Mainland China 8 April 2014	RM10,000	95%	Property development
南昌泰新房地產開發有限 公司Nanchang Taixin Real Estate Development Co., Ltd. (“**Nanchang Taixin Real Estate Development**”)	*(37)*	PRC/Mainland China 10 May 2018	RMB50,000	100%	Property development
南昌新穎房地產開發有限 公司Nanchang Xinying Real Estate Development Co., Ltd. (“**Nanchang Xinying Real Estate Development**”)	*(38)*	PRC/Mainland China 24 January 2018	RMB20,000	100%	Property development
廣州坤旺房地產開發有限 公司Guangzhou Kunwang Real Estate Development Co., Ltd. (“**Guangzhou Kunwang Real Estate Development**”)	*(39)*	PRC/Mainland China 29 September 2016	RMB10,000	100%	Property development
中山新慧房地產開發有限 公司Zhongshan Xinhui Real Estate Development Co., Ltd. (“**Zhongshan Xinhui Real Estate Development**”)	*(2, 40)*	PRC/Mainland China 22 January 2017	RMB100,000	100%	Property development
中山新力力創房地產開發 集團有限公司 Zhongshan Sinic Lichuang Real Estate Development Group Co., Ltd. (“**Zhongshan Sinic Lichuang Real Estate Development Group**”)	*(41)*	PRC/Mainland China 13 January 2017	RMB2,000,000	100%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
中山市渡頭房地產開發有限公司Zhongshan Dutou Real Estate Development Co., Ltd. ("**Zhongshan Dutou**")	*(3)*	PRC/Mainland China 14 June 2017	RMB160,214	100%	Property development
惠州市均榮實業有限公司 Huizhou Junrong Industrial Co., Ltd. ("**Huizhou Junrong Industrial**")	*(42)*	PRC/Mainland China 15 March 2011	RMB210,000	100%	Property development
吉安新悅力創房地產開發有限公司Ji'an Xinyue Lichuang Real Estate Development Co., Ltd. ("**Ji'an Xinyue Lichuang Real Estate Development**")	*(43)*	PRC/Mainland China 26 July 2018	RMB50,000	100%	Property development
惠州市萬基實業有限公司 Huizhou Wanji Industrial Co., Ltd. ("**Huizhou Wanji Industrial**")	*(44)*	PRC/Mainland China 25 January 2010	RMB12,000	100%	Property development
諸暨力睿房地產開發有限公司Zhuji Lirui Real Estate Development Co., Ltd. ("**Zhuji Lirui Real Estate Development**")	*(45)*	PRC/Mainland China 6 August 2018	RMB50,000	100%	Property development
惠州市錦繡灣實業有限公司 Huizhou Jinxiu Bay Industrial Co., Ltd. ("**Huizhou Jinxiu Bay Industrial**")	*(46)*	PRC/Mainland China 18 January 2011	RMB20,000	100%	Property development
惠州市朗鉅實業有限公司 Huizhou Langju Industrial Co., Ltd. ("**Huizhou Langju Industrial**")	*(1, 47)*	PRC/Mainland China 23 November 2010	RMB300,000	75%	Property development
惠州大亞灣新際房地產開發有限公司Huizhou Daya Bay XinJi Real Estate Development Co., Ltd. ("**Huizhou Daya Bay Real Estate Development**")	*(48)*	PRC/Mainland China 11 May 2006	RMB164,000	100%	Property development
蘇州力創香穀置業發展有限公司Suzhou Lichuang Xianggu Properties Development Co., Ltd. ("**Suzhou Lichuang Xianggu Properties Development**")	*(1, 2, 3)*	PRC/Mainland China 26 December 2018	RMB200,000	70%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
溫州力璟房地產開發有限公司Wenzhou Lijing Real Estate Development Co., Ltd. ("**Wenzhou Lijing Real Estate Development**")	*(2, 3)*	PRC/Mainland China 6 March 2019	RMB50,000	100%	Property development
合肥新城悦弘房地產開發有限公司Hefei Xincheng Yuehong Real Estate Development Co., Ltd. ("**Hefei Xincheng Yuehong Real Estate Development**")	*(3)*	PRC/Mainland China 28 April 2019	RMB130,000	100%	Property development
平潭立新地產有限公司 Pingtan Lixin Real Estate Co., Ltd. ("**Pingtan Lixin Real Estate**")	*(1,3)*	PRC/Mainland China 8 January 2019	RMB100,000	48%	Property development
平潭魯新地產有限公司 Pingtan Luxin Real Estate Co., Ltd. ("**Pingtan Luxin Real Estate**")	*(1,3)*	PRC/Mainland China 21 June 2018	RMB111,500	48%	Property development
江西賽越房地產開發有限公司Jiangxi Saiyue Real Estate Development Co., Ltd. ("**Jiangxi Saiyue Real Estate Development**")	*(2,3)*	PRC/Mainland China 25 December 2017	RMB142,857	100%	Property development
合肥力耀房地產開發有限公司Hefei Liyao Real Estate Development Co., Ltd. ("**Hefei Liyao Real Estate Development**")	*(2,3)*	PRC/Mainland China 15 May 2019	RMB50,000	100%	Property development
無錫新卓房地產開發有限公司Wuxi Xinzhuo Real Estate Development Co., Ltd. ("**Wuxi Xinzhuo Real Estate Development**")	*(2,3)*	PRC/Mainland China 31 May 2017	RMB71,428	100%	Property development
新力海石房地產開發(廣州)有限公司Sinic Haishi Real Estate Development (Guangzhou) Co., Ltd. ("**Sinic Haishi Real Estate Development (Guangzhou)**")	*(1,3)*	PRC/Mainland China 25 March 2019	RMB20,000	95%	Property development
成都力璽房地產開發有限公司Chengdu Lixi Real Estate Development Co., Ltd. ("**Chengdu Lixi Real Estate Development**") . .	*(2,3)*	PRC/Mainland China 11 June 2019	RMB10,000	100%	Property development

Name of companies	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
安徽力弘房地產開發有限公司Anhui Lihong Real Estate Development Co., Ltd. ("**Anhui Lihong Real Estate Development**") . .	*(1,2,3)*	PRC/Mainland China 14 May 2019	RMB10,000	70%	Property development
蘇州新力創志房地產有限公司Suzhou Sinic Chuangzhi Real Estate Co., Ltd. ("**Suzhou Sinic Chuangzhi Real Estate**")	*(3)*	PRC/Mainland China 11 May 2017	RMB25,000	100%	Property development
煙台力新房地產開發有限公司Yantai Lixin Real Estate Development Co., Ltd. ("**Yantai Lixin Real Estate Development**") . .	*(2,3)*	PRC/Mainland China 29 May 2019	RMB10,000	100%	Property development
成都新力力創房地產開發有限公司Chengdu Sinic Lichuang Real Estate Development Co., Ltd. ("**Chengdu Sinic Lichuang Real Estate Development**")	*(3)*	PRC/Mainland China 11 May 2017	RMB100,000	100%	Property development
慈溪力創房地產開發有限公司Cixi Lichuang Real Estate Development Co., Ltd. ("**Cixi Lichuang Real Estate Development**")	*(3)*	PRC/Mainland China 18 February 2019	RMB50,000	100%	Property development
蘇州新力悦創房地產有限公司Suzhou Sinic Yuechuang Real Estate Co., Ltd. ("**Suzhou Sinic Yuechuang Real Estate**")	*(3)*	PRC/Mainland China 10 May 2017	RMB25,000	100%	Property development
成都力盛房地產開發有限公司Chengdu Lisheng Real Estate Development Co., Ltd. ("**Chengdu Lisheng Real Estate Development**")	*(3)*	PRC/Mainland China 2 August 2019	RMB10,000	100%	Property development
南昌新嵐房地產開發有限公司Nanchang Xinlan Real Estate Development Co., Ltd. ("**Nanchang Xinlan Real Estate Development**")	*(3)*	PRC/Mainland China 10 September 2017	RMB50,000	100%	Property development

Name of companies	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Effective percentage of the controlling equity interest attributable to the Company	Principal activities
			('000)		
長沙新力源房地產開發有限公司Changsha Xinliyuan Real Estate Development Co., Ltd. ("**Changsha Xinliyuan Real Estate Development**")	*(3)*	PRC/Mainland China 2 August 2017	RMB200,000	100%	Property development
濰坊新力力合房地產開發有限公司Weifang Sinic Lihe Real Estate Development Co., Ltd. ("**Weifang Sinic Lihe Real Estate Development**")	*(3)*	PRC/Mainland China 26 October 2018	RMB20,000	60%	Property development

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.

Notes:

(1) These entities are subsidiaries of a non-wholly-owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over it.

(2) The Group legally transferred partial equity interests of these subsidiaries as collateral to trust financing companies during the Relevant Period. Under such trust financing arrangements, the Group was obliged to purchase at a fixed amount on a future date upon repayment of the borrowings from the trust financing companies.

In addition, the Group retains the power to control these companies in the ordinary course of business by confirmation from the legal equity holder. In this regard, considering the facts that the substance of the arrangements is to collateralise some equity interests in these companies for the borrowings for project development and the Group retains the practical ability to govern the financial and operating policies of these project companies so as to obtain benefits from the operating activities of these project companies, the directors of the Company are of the view that the financial position and operating results of these companies should be combined into the Group's financial statements.

(3) No audited financial statements have been prepared and issued for these entities since the date of their respective incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation, or have not commenced business.

(4) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 and for the year ended 2018 prepared in accordance with PRC generally accepted accounting principles ("**PRC GAAP**") and regulations were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)), Ruihua Certified Public Accountants (瑞華會計師事務所(特殊普通合夥)), respectively, certified public accounting firm registered in the PRC.

Sinic Real Estate Group Co., Ltd. (新力地產集團有限公司), previously known as Sinic Real Estate Co., Ltd. (新力地產有限公司), has completed its name change on 16 May 2018.

(5) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(6) 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 Jiangxi Huipu Certified Public Accountants (江西惠普會計師事務所有限責任公司), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2017 and 2018.

(7) 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 Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2018.

(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 Jiangxi Huaxia Certified Public Accountants (江西華夏會計師事務所有限公司), Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)) and Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(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 and 2017 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(10) 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 Jiangxi Huaxia Certified Public Accountants (江西華夏會計師事務所有限公司), Jiangxi Huaxia Certified Public Accountants (江西華夏會計師事務所有限公司) and Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(普通合夥)), respectively, certified public accounting firms registered in the PRC.

(11) 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 Jiangxi Huaxia Certified Public Accountants (江西華夏會計師事務所有限公司), Jiangxi Huaxia Certified Public Accountants (江西華夏會計師事務所有限公司) and Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(普通合夥)), respectively, certified public accounting firms registered in the PRC.

(12) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 and for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Ganzhou Hongfu Zhicheng Certified Public Accountants (贛州弘富至誠會計師事務所), a certified public accounting firms registered in the PRC.

(13) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 and for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Ganzhou Hongfu Zhicheng Certified Public Accountants (贛州弘富至誠會計師事務所), a certified public accounting firms registered in the PRC.

(14) The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 prepared in accordance with PRC GAAP and regulations were audited by Ganzhou Hongfu Zhicheng Certified Public Accountants (贛州弘富至誠會計師事務所), a certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2016.

(15) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its incorporation to 31 December 2016 and the year ended 31 December 2017.

(16) As at 31 December 2016, 2017 and 2018, the Group held 45% of equity interest in Nanchang Tianju Industrial which is accounted for as a subsidiary of the Group because the Group has 70% voting rights in the shareholders' meeting by being delegated 25% of the equity holder's right from the other equity holder to control and operate Nanchang Tianju Industrial.

According to the resolution of the shareholders' meeting on 3 April 2019, one of the shareholders transferred 15% of her shares in Nanchang Tianju Industrial. Thus, the Group owned 85% of voting right with 60% of equity interests and 25% of delegated equity holder's right since then.

(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 Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2017 and 2018.

(18) 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 Zhonglei Certified Public Accountants (中

磊會計師事務所有限責任公司), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2016.

(19) 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 Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its incorporation to 31 December 2016 and the year ended 31 December 2018.

(20) 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 Huizhou Hengzheng Certified Public Accountants (惠州市恒正會計師事務所(普通合夥)), a certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2018.

(21) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards ("**IFRS**") and regulations were audited by Alan Cheng & Co, a certified public accounting firm registered in Hong Kong. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(22) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(23) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(24) 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 Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)) and Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), respectively, certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2016.

(25) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(26) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Hunan Hengji Certified Public Accountants (湖南恒基會計師事務所有限責任公司), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(27) 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 Zhonglei Certified Public Accountants (中磊會計師事務所有限責任公司), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2016.

(28) 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 Nanchang Longxi Joint Accounting Firm (General Partnership) (南昌龍熙聯合會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(29) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(30) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(31) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Ganzhou Hongfu Zhicheng Certified Public Accountants (贛州弘富至誠會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its incorporation to 31 December 2016 and the year ended 31 December 2017.

(32) 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 Hubei Gongxin Certified Public Accountants (湖北公信會計師事務有限公司), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2018.

(33) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Shuangyong Lianhe Certified Public Accountants (南昌雙永聯合會計師事務所), a certified public accounting firm registered in the PRC.

(34) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Shuangyong Lianhe Certified Public Accountants (南昌雙永聯合會計師事務所), a certified public accounting firm registered in the PRC.

(35) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its incorporation to 31 December 2017.

(36) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(37) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zhongcheng Certified Public Accountants (南昌中誠會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

(38) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Jiujiang Yixin Certified Public Accountants (九江毅信會計師事務所), 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 Guangzhou Yuehe Certified Public Accountants (廣州悅禾會計師事務所), a certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its incorporation to 31 December 2016 and the year ended 31 December 2018.

(40) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Guangzhou Weide Certified Public Accountants (廣東維德會計師事務所(普通合夥)), a certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(41) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2017 prepared in accordance with PRC GAAP and regulations were audited by Guangzhou Weide Certified Public Accountants (廣東維德會計師事務所(普通合夥)), a certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018.

(42) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(43) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Ganzhou Hongfu Zhicheng Certified Public Accountants (贛州弘富至誠會計師事務所), a certified public accounting firms registered in the PRC.

(44) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(45) The statutory financial statements of this entity for the period from the date of its incorporation to 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Hangzhou Lianxin Certified Public Accountants Co., Ltd. (杭州聯信會計師事務所有限公司), a certified public accounting firms registered in the PRC.

(46) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(47) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

(48) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Nanchang Zuowei Joint Certified Public Accountants (南昌左衛聯合會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the years ended 31 December 2016 and 2017.

Huizhou Daya Bay XinJi Real Estate Development Co., Ltd. (惠州大亞灣新際房地產開發有限公司), previously known as Huizhou Daya Bay Nanhai Xincheng Industrial Co., Ltd. (惠州大亞灣南海新城實 業有限公司), has completed its name change on 8 November 2006.

(49) Wuxi Fuan Jindi Real Estate Co., Ltd. (無錫富安金邸房地產有限公司), previously known as Wuxi Lvcheng Fuan Real Estate Co., Ltd. (無錫綠城富安房地產有限公司), has completed its name change as Wuxi Fuan Yayuan Real Estate Co., Ltd. (無錫富安雅園房地產有限公司) on 19 March 2015 and has completed its name change on 25 March 2015.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of Relevant Periods on 17 May 2019. Immediately prior to and after the Reorganisation, the Listing Business is mainly conducted through Jiangxi Sinic Properties and its subsidiaries and is ultimately controlled by Mr. Zhang Yuanlin. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganization of the Listing Business with no change in management and the ultimate owner of the Listing Business remained the same. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods for the companies now comprising the Group which were under the common control of the Controlling Shareholders before and after the Reorganisation; and accordingly, the Financial Information of the Group is presented using the carrying values of the Listing Business for all period presented. However, for the companies acquired from third parties via business combination which now comprising the Group have been accounted for by applying the acquisition method in accordance with IFRS 3 *Business Combinations*.

The combined 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 combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019 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 interest 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 2019, except for IFRS 16 *Leases* ("**IFRS 16**") but including IFRS 9 *Financial Instruments* ("**IFRS 9**") and IFRS 15 *Revenue from contracts with customers* ("**IFRS 15**"), together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information on a consistent basis throughout the Relevant Periods.

The Group applies IFRS 16 effective as of 1 January 2019 for the first time during the four months ended 30 April 2019, the nature and effect of these changes are disclosed in note 2.3.

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 ("**FVTPL**") and financial liabilities at FVTPL which have been measured at fair value.

2.3 THE NATURE AND EFFECT OF IFRS 16 *LEASES ADOPTED BY THE GROUP SINCE 1 JANUARY 2019*

IFRS 16 supersedes IAS 17 *Leases* ("**IAS 17**"), 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.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for 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 effect of initially applying the standard recognised at the date of initial application. 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. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**"), and lease contracts for which the underlying asset is of low value ("**low-value assets**").

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	(RMB'000)
Assets	
Right-of-use assets	41,585
Total assets	41,585
Liabilities	
Lease liabilities	41,585
Total liabilities	41,585
Total adjustment on equity:	
Retained earnings	—
Non-controlling interests	—
	—

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for offices and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Applied the short-term lease exemptions to leases with lease term that ends within 12 months at the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RMB41,585,000 were recognised and presented 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.

- Additional lease liabilities of RMB41,585,000 (included in Interest bearing loans and borrowings) were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	(RMB'000)
Operating lease commitments as at 31 December 2018	67,964
Weighted average incremental borrowing rate as at 1 January 2019	6.00%
Discounted operating lease commitments at 1 January 2019	44,086
Less:	
Commitments relating to short-term leases	(2,501)
Lease liabilities as at 1 January 2019	41,585

(b) ***Summary of new accounting policies***

The new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application, has been disclosed in note 2.5.

(c) ***Amounts recognised in the statement of financial position and profit or loss***

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			
	Building	**Other equipment**	**Sub-total**	**Lease liabilities**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
As at 1 January 2019	41,441	144	41,585	41,585
Additions	16,167	–	16,167	9,374
Depreciation expense	(7,664)	(26)	(7,690)	
Interest expense	–	–	–	832
Payments	–	–	–	(8,416)
As at 30 April 2019	49,944	118	50,062	43,375

The Group recognised rent expense from short-term leases of RMB3,248,000 for the four months ended 30 April 2019.

2.4 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 Business1*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture3*
IFRS 17	*Insurance Contracts2*
Amendments to IAS 1 and IAS 8	*Definition of Material1*

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 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.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. 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 interest issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 combined 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 combined statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the combined 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 or a joint venture 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, financial assets at FVTPL and financial liabilities at FVTPL at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale 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 the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Motor vehicles	25%-33%
Office equipment and electronic devices	20%-33%
Leasehold improvements	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss and other 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

by:

Transfers to or from investment property shall be made when and only when there is a change in use evidenced

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.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Leases (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, 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.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Leases (On and after 1 January 2019)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating 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 expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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.

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.

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.

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)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, long-term debt investments, and other financial assets included in prepayments, deposits and other receivables.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 profit or loss are also recognised as other income in statements of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets)

is primarily derecognised (i.e., removed from the Group's combined 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 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 end of relevant periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, corporate bonds, trade and bills payables, and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

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 the statement of 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.

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. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in statements of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, 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.

Revenue recognition

Revenue from contracts with customers

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

Sale of properties

Revenue 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.

Consulting services

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

Rental income

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

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.

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 Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under *IFRS 9 Financial Instruments*; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with principles of *IFRS 15 Revenue from Contracts with Customers*.

The fair value of financial guarantee is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of joint ventures and associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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 functional currency of the Company 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).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the relevant period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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.

Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's combined financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the combined balance sheet.

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 applies 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.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the Historical Financial Information.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Certain advance payments received from customers provide a significant financing benefit to the Group. Although the Group is required by the government to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers is completed.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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

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.

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 and 30 April 2019 were RMB769,280,000, RMB893,500,000, RMB1,153,030,000 and

RMB1,331,030,000, respectively.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group's combined 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 and other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Revenue from contracts with customers					
Sale of properties	2,207,757	5,230,494	8,389,269	1,507,957	5,684,232
Consulting services	15,243	9,384	23,628	—	22,554
Revenue from other sources					
Property lease income	—	1,208	2,756	919	2,639
	2,223,000	5,241,086	8,415,653	1,508,876	5,709,425
Represented by:					
Revenue from the sale of properties:					
Recognised at a point in time	2,143,164	4,579,525	6,657,526	730,061	4,808,596
Recognised over time	64,593	650,969	1,731,743	777,896	875,636
Revenue from consulting services:					
Recognised over time	15,243	9,384	23,628	—	22,554
Revenue from other sources:					
Property lease income	—	1,208	2,756	919	2,639
	2,223,000	5,241,086	8,415,653	1,508,876	5,709,425

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Other income and gains					
Gain on bargain purchase *(note 36)*	—	6,180	—	—	2,730
Gain on disposal of subsidiaries	—	—	1,187	597	—
Subsidy income	—	—	2,190	100	—
Forfeiture of deposit Gain on disposal of items of property, plant and equipment	340—	550—	1,564482	85457	866—
Others	34	284	522	451	940
	374	7,014	5,945	2,059	4,536

6. PROFIT BEFORE TAX

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Cost of inventories sold*(notes 20, 21)*	1,669,435	3,471,227	5,266,765	948,285	3,735,369
Cost of services provided	3,811	2,648	5,892	103	8,553
Impairment losses *(notes 18, 23)*	77	1,036	693	283	159
Rental expenses	4,640	25,848	37,522	11,266	3,248
Depreciation *(note 13)*	4,831	8,872	19,435	6,680	8,312
Depreciation of right-of-use assets	—	—	—	—	7,690
Amortisation of other intangible assets*(note 15)*	60	581	820	126	283
Auditor 's remuneration	265	1,205	6,164	755	1,650
Employee benefit expense (including directors' and chief Executive's remuneration in note 8):					
Wages and salaries	64,087	126,318	213,379	54,367	92,029
Pension scheme contributions and social welfare	11,856	23,723	39,056	9,787	16,451

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Interest on bank and other borrowings, corporate bonds and lease liabilities	292,587	1,109,377	1,218,042	268,970	547,418
Interest expense arising from revenue contracts	293,865	337,623	803,381	249,019	522,489
Total interest expense on financial liabilities not at FVTPL	586,452	1,447,000	2,021,423	517,989	1,069,907
Less: Interest capitalised	(487,273)	(1,129,835)	(1,595,649)	(449,339)	(884,770)
	99,179	317,165	425,774	68,650	185,137

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods until the Company was incorporated on 18 September

2018. Mr. Zhang Yuanlin was appointed as the executive director and chief executive officer of the Company on 18

September 2018.

Subsequent to the end of the Relevant Periods, Mr. Wang Zhe, Mr. She Runting and Ms. Tu Jing were appointed as executive directors of the Company on 14 May 2019. Mr. Wang Zhe resigned as an executive director of the Company on 8 October 2019.

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

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Salaries, allowances and benefits in kind	324	2,150	3,489	1,163	1,452
Pension scheme contributions and social welfare	106	270	324	108	129
Total	430	2,420	3,813	1,271	1,581

(a) Independent non-executive directors

Mr. Tam Chi Choi, Mr. Au Yeung Po Fung and Mr. Qiao Yongyuan were appointed as independent non-executive directors of the Company on 26 August 2019. There was no emolument payable to the independent non-executive directors during the Relevant Periods and the four months ended 30 April 2018.

(b) **Executive directors and non-executive directors**

Year ended 31 December 2016

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Executive directors:			
— Mr. Zhang Yuanlin	100	53	153
— Mr. Wang Zhe	—	—	—
— Mr. She Runting	—	—	—
— Ms. Tu Jing	224	53	277
	324	106	430

Year ended 31 December 2017

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Executive directors:			
— Mr. Zhang Yuanlin	1,200	95	1,295
— Mr. Wang Zhe	—	—	—
— Mr. She Runting	420	80	500
— Ms. Tu Jing	530	95	625
	2,150	270	2,420

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Executive directors:			
— Mr. Zhang Yuanlin	1,200	108	1,308
— Mr. Wang Zhe	—	—	—
— Mr. She Runting	1,680	108	1,788
— Ms. Tu Jing	609	108	717
	3,489	324	3,813

Four months ended 30 April 2018 (unaudited)

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Executive directors:			
— Mr. Zhang Yuanlin	400	36	436
— Mr. Wang Zhe	—	—	—
— Mr. She Runting	560	36	596
— Ms. Tu Jing	203	36	239
	1,163	108	1,271

Four months ended 30 April 2019

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Executive directors:			
— Mr. Zhang Yuanlin	400	37	437
— Mr. Wang Zhe	150	18	168
— Mr. She Runting	700	37	737
— Ms. Tu Jing	202	37	239
	1,452	129	1,581

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 included nil, one director, one director, one director, and one director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31

December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 of the five, four, four, four, and four highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Salaries, allowances and benefits in kind	3,622	4,373	5,945	1,973	2,290
Pension scheme contributions and social welfare	266	381	431	144	148
Total	3,888	4,754	6,376	2,117	2,438

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 Decembe			Four months ended 30 April	
	2016	2017	2018	2018	2019
				(unaudited)	
Nil to HK$1,000,000	4	—	—	4	4
HK$1,000,001 to HK$2,000,000	1	4	3	—	—
HK$2,000,001 to HK$3,000,000	—	—	1	—	—
Total	5	4	4	4	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Relevant Periods and the four months ended 30 April 2018.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the Relevant Periods and the four months ended 30 April 2018.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Current tax:					
Corporate income tax	292,276	879,694	1,169,488	348,680	740,847
LAT	28,644	366,068	757,219	172,400	769,199
Deferred tax *(note 19)*	(234,984)	(681,564)	(618,171)	(241,814)	(358,197)
Total tax charge for the year/period	85,936	564,198	1,308,536	279,266	1,151,849

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods and the four months ended 30 April 2018 is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Profit before tax	216,813	842,403	1,863,489	325,090	1,434,031

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
At the statutory income tax rate	54,203	210,601	465,872	81,273	358,508
Expenses not deductible for tax	4,257	15,464	19,706	3,522	4,527
Costs not deductible for tax	2,196	29,228	137,554	32,978	174,603
Profits and losses attributable to joint ventures and associates	2,418	(746)	(9,847)	1,513	551
Gain on bargain purchase	—	(1,545)	—	—	(683)
Tax losses utilised from previous years	(6,513)	(38,363)	(8,938)	(576)	(6,051)
Tax losses not recognised	7,892	75,008	136,275	31,256	43,495
Provision for LAT	28,644	366,068	757,219	172,400	769,199
Tax effect on LAT	(7,161)	(91,517)	(189,305)	(43,100)	(192,300)
Tax charge at the Group's effective rate	85,936	564,198	1,308,536	279,266	1,151,849

The share of tax charge attributable to joint ventures and associates amounted to nil, RMB9,055,000, RMB28,691,000, RMB1,081,000 and RMB6,398,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively. The share of tax credit attributable to joint ventures and associates amounted to RMB3,224,000, RMB8,060,000, RMB15,561,000, RMB3,098,000 and RMB7,133,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively. Both are included in 'Share of profits and losses of joint ventures and associates' in the combined statements of profit or loss and other comprehensive income.

Tax payables in the combined statements of financial position represent:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Tax payables:				
Corporate income tax	114,105	505,230	1,058,917	1,475,504
LAT	8,664	255,068	627,396	1,298,000
	122,769	760,298	1,686,313	2,773,504

11. DIVIDENDS

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

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

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods and the four months ended 30 April 2018 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Office equipment and electronic devices	Construction in progress	Leasehold improvements	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	—	6,034	6,512	46,127	361	59,034
Accumulated depreciation	—	(3,172)	(2,331)	—	(97)	(5,600)
Net carrying amount	—	2,862	4,181	46,127	264	53,434
At 1 January 2016, net of accumulated depreciation	—	2,862	4,181	46,127	264	53,434
Additions	—	1,946	9,163	16,305	1,520	28,934
Acquisition of subsidiaries	—	309	47	—	—	356
Transferred from construction in progress	—	—	405	(405)	—	—
Disposals	—	(21)	—	—	—	(21)
Depreciation provided during the year *(note 6)*	—	(1,679)	(2,703)	—	(449)	(4,831)
At 31 December 2016, net of accumulated depreciation	—	3,417	11,093	62,027	1,335	77,872
At 31 December 2016:						
Cost	—	9,403	16,557	62,027	1,881	89,868
Accumulated depreciation	—	(5,986)	(5,464)	—	(546)	(11,996)
Net carrying amount	—	3,417	11,093	62,027	1,335	77,872
31 December 2017						
At 31 December 2016 and 1 January 2017:						
Cost	—	9,403	16,557	62,027	1,881	89,868
Accumulated depreciation	—	(5,986)	(5,464)	—	(546)	(11,996)
Net carrying amount	—	3,417	11,093	62,027	1,335	77,872
At 1 January 2017, net of accumulated depreciation	—	3,417	11,093	62,027	1,335	77,872
Additions	—	1,825	19,737	9,417	6,793	37,772
Acquisition of subsidiaries	—	2,263	180	—	—	2,443
Transferred from construction in progress	40,474	—	112	(40,586)	—	—
Disposals	—	—	(162)	—	—	(162)
Depreciation provided during the year *(note 6)*	—	(1,971)	(6,132)	—	(769)	(8,872)
At 31 December 2017, net of accumulated depreciation	40,474	5,534	24,828	30,858	7,359	109,053
At 31 December 2017:						
Cost	40,474	13,491	36,585	30,858	8,677	130,085
Accumulated depreciation	—	(7,957)	(11,757)	—	(1,318)	(21,032)
Net carrying amount	40,474	5,534	24,828	30,858	7,359	109,053

	Buildings	Motor vehicles	Office equipment and electronic devices	Construction in progress	Leasehold improvements	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
31 December 2018						
At 31 December 2017 and 1 January 2018:						
Cost	40,474	13,491	36,585	30,858	8,677	130,085
Accumulated depreciation	—	(7,957)	(11,757)	—	(1,318)	(21,032)
Net carrying amount	40,474	5,534	24,828	30,858	7,359	109,053
At 1 January 2018, net of accumulated depreciation	40,474	5,534	24,828	30,858	7,359	109,053
Additions	—	2,098	11,894	1,351	11,264	26,607
Transferred from construction in progress	29,809	—	2,400	(32,209)	—	—
Disposals	—	(540)	(1,345)	—	—	(1,885)
Depreciation provided during the year *(note 6)*	(2,111)	(2,175)	(10,626)	—	(4,523)	(19,435)
At 31 December 2018, net of accumulated depreciation	68,172	4,917	27,151	—	14,100	114,340
At 31 December 2018:						
Cost	70,283	15,589	50,879	—	19,941	156,692
Accumulated depreciation	(2,111)	(10,672)	(23,728)	—	(5,841)	(42,352)
Net carrying amount	68,172	4,917	27,151	—	14,100	114,340

	Buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
30 April 2019					
At 31 December 2018 and 1 January 2019:					
Cost	70,283	15,589	50,879	19,941	156,692
Accumulated depreciation	(2,111)	(10,672)	(23,728)	(5,841)	(42,352)
Net carrying amount	68,172	4,917	27,151	14,100	114,340
At 1 January 2019, net of accumulated depreciation	68,172	4,917	27,151	14,100	114,340
Additions	—	—	1,257	2,088	3,345
Acquisition of a subsidiary	—	—	880	—	880
Disposals	—	—	(135)	—	(135)
Depreciation provided during the period *(note 6)*	(1,171)	(711)	(4,248)	(2,182)	(8,312)
At 30 April 2019, net of accumulated depreciation	67,001	4,206	24,905	14,006	110,118
At 30 April 2019:					
Cost	70,283	15,589	53,017	22,029	160,918
Accumulated depreciation	(3,282)	(11,383)	(28,112)	(8,023)	(50,800)
Net carrying amount	67,001	4,206	24,905	14,006	110,118

Certain of the Group's property, plant and equipment with amounts of approximately RMB62,027,000, RMB71,332,000, RMB68,172,000 and RMB67,001,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 30).

As at 30 April 2019, the Group was in the process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB67,001,000.

14. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Carrying amount at 1 January 2016	3,000	299,245	302,245
Additions	—	389,055	389,055
Transferred from investment properties under construction	439,473	(439,473)	—
Net gain from a fair value adjustment	727	77,253	77,980
Carrying amount at 31 December 2016 and 1 January 2017	443,200	326,080	769,280
Additions	—	38,182	38,182
Transferred from investment properties under construction	1,061	(1,061)	—
Net gain from a fair value adjustment	5,239	80,799	86,038
Carrying amount at 31 December 2017 and 1 January 2018	449,500	444,000	893,500
Additions	—	149,371	149,371
Transferred from investment properties under construction	9,642	(9,642)	—
Net gain from a fair value adjustment	6,888	103,271	110,159
Carrying amount at 31 December 2018 and 1 January 2019	466,030	687,000	1,153,030
Additions	—	150,569	150,569
Net gain from a fair value adjustment	—	27,431	27,431
Carrying amount at 30 April 2019	466,030	865,000	1,331,030

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 based on valuations performed by Cushman & Wakefield Limited ("**C&W**"), an independent professionally qualified valuer, at RMB769,280,000, RMB893,500,000, RMB1,153,030,000, and RMB1,331,030,000, respectively. The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Certain of the Group's investment properties with fair values of approximately nil, RMB411,450,000, RMB416,067,000 and RMB416,067,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 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				
completed	—	—	326,080	326,080
	—	—	443,200	443,200
	—	—	769,280	769,280

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Recurring fair value measurement for:				
Commercial properties under construction				
completed	—	—	444,000	444,000
	—	—	449,500	449,500
	—	—	893,500	893,500

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Recurring fair value measurement for:				
Commercial properties under construction				
completed	—	—	687,000	687,000
	—	—	466,030	466,030
	—	—	1,153,030	1,153,030

	Fair value measurement as at 30 April 2019 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Recurring fair value measurement for:				
Commercial properties under construction				
completed	—	—	865,000	865,000
	—	—	466,030	466,030
	—	—	1,331,030	1,331,030

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:

	Valuation technique	Significant unobservable inputs	Range or weighted average			
			31 December			30 April
			2016	2017	2018	2019
Commercial properties completed	Income approach	Expected rental value (per square metre and per month)	RMB120-123	RMB57-126	RMB57-129	RMB57-129
		Capitalisation rate	4%	4%	4%	4%
Commercial properties under construction . .	Residual method	Expected rental value (per square meter and per month)	RMB54-60	RMB60	N/A	N/A
		Capitalisation rate	4%	4%	N/A	N/A
		Expected profit margin	6%	6%	N/A	N/A
	Direct comparison method	Unit accommodation price	RMB1,434-1,440	RMB1,707-1,768	RMB2,087-2,189	RMB2,087-2,189

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost, marketing cost, management fees, finance cost and professional fees to be expensed to complete the properties that would be incurred by a market participant;

- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

15. INTANGIBLE ASSETS

	31 December 2016	31 December 2017	31 December 2018	30 April 2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Software				
At the beginning of the year/period:				
Cost	21	1,551	7,013	7,472
Accumulated amortisation	(8)	(68)	(741)	(1,561)
Net carrying amount	13	1,483	6,272	5,911
Carrying amount at the beginning of the year/period	13	1,483	6,272	5,911
Additions	1,530	5,351	459	34
Acquisition of a subsidiary	—	27	—	—
Disposal	—	(8)	—	—
Amortisation provided during the year/period *(note 6)*	(60)	(581)	(820)	(283)
Carrying amount at the end of the year/period	1,483	6,272	5,911	5,662
At the end of the year/period:				
Cost	1,551	7,013	7,472	7,506
Accumulated amortisation	(68)	(741)	(1,561)	(1,844)
Net carrying amount	1,483	6,272	5,911	5,662

16. INVESTMENTS IN JOINT VENTURES

	31 December 2016	31 December 2017	31 December 2018	30 April 2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Share of net assets	202,832	3,389,618	3,866,086	7,086,884

The Group's receivable and payable balances with joint ventures are disclosed in note 41 to the Historical Financial Information.

(a) Particulars of the Group's joint ventures

Name of companies	Place and year of registration	Nominal value of registered share capital	Statutory percentage of ownership interest attributable to the Group	Principal activities
		('000)		
Shenzhen Hanyu Investment Development Co., Ltd. 深圳瀚域投資發展有限公司	Shenzhen, PRC 2017	RMB50,000	50.00%	Business service
Jiangxi Baixing Real Estate Investment Co., Ltd. *(note)* 江西百興房地產投資有限公司	Nanchang, PRC 2002	RMB50,000	60.00%	Property development
Wuhan Furui Decheng Real Estate Development Co., Ltd. *(note)* 武漢福瑞德成房地產開發有限公司	Wuhan, PRC 2016	RMB550,000	50.70%	Property development
Ezhou Jiayu Real Estate Development Co., Ltd. 鄂州市嘉裕房地產發展有限公司	Ezhou, PRC 2013	RMB50,000	49.00%	Property development
De'an Zhongbang Properties Co., Ltd. 德安眾邦置業有限公司	De'an, PRC 2018	RMB20,000	50.00%	Property development

Name of companies	Place and year of registration	Nominal value of registered share capital	Statutory percentage of ownership interest attributable to the Group	Principal activities
		('000)		
Jiangxi Jinyue Real Estate Development Co., Ltd. *(note)* 江西金越房地產開發有限公司	Fuzhou, PRC 2018	RMB50,000	66.00%	Property development
Nanchang Jiangyue Real Estate Development Co., Ltd. 南昌江越房地產開發有限公司	Nanchang, PRC 2018	RMB10,000	50.00%	Property development
Guangzhou Sinic Kunshan Investment Development Co., Ltd. 廣州新力坤山投資發展有限公司	Guangzhou, PRC 2018	RMB100,000	50.00%	Business service
Wuxi Xinkun Langxu Properties Co., Ltd. *(note)* 無錫新坤朗敘置業有限公司	Wuxi, PRC 2019	RMB20,000	55.00%	Property development
Jiangxi Xinyue Honglan Real Estate Development Co., Ltd. *(note)* 江西新越弘嵐房地產開發有限公司 ..	Nanchang, PRC 2019	RMB650,000	51.00%	Property development
Jiangxi Cheyue Real Estate Development Co., Ltd. *(note)* 江西澈越房地產開發有限公司	Nanchang, PRC 2019	RMB80,000	60.00%	Property development
Nanchang Dimei Real Estate Development Co., Ltd. *(note)* 南昌市地美房地產開發有限公司	Nanchang, PRC 2019	RMB900,000	60.00%	Property development
Jiangxi Dongyi Properties Co., Ltd. 江西東屹置業有限公司	Nanchang, PRC 2019	RMB50,000	50.00%	Property development
Nanchang Hezhan Properties Co., Ltd. 南昌和展置業有限公司	Nanchang, PRC 2019	RMB50,000	50.00%	Property development
Nanjing Jinming Real Estate Development Co., Ltd. *(note)* 南京金銘新房地產開發有限公司	Nanjing, PRC 2019	RMB20,000	34.00%	Property development
Suzhou Hengxin Properties Co., Ltd. 蘇州恒信置業有限公司	Suzhou, PRC 2016	RMB10,000	50.00%	Property development
Jiangxi Yuetong Real Estate Development Co., Ltd. *(note)* 江西越通房地產開發有限公司	Nanchang, PRC 2019	RMB200,000	51.00%	Property development
Zibo Jincheng Real Estate Development Co., Ltd. *(note)* 淄博錦城房地產開發有限公司	Zibo, PRC 2018	RMB10,000	20.00%	Property development

Note: 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.

(b) Jiangxi Baixing Real Estate Investment Co., Ltd. ("**Jiangxi Baixing**"), Wuhan Furui Decheng Real Estate Development Co., Ltd. ("**Wuhan Furui Decheng**"), Ezhou Jiayu Real Estate Development Co., Ltd. ("**Ezhou Jiayu**"), Jiangxi Dongyi Properties Co., Ltd. ("**Jiangxi Dongyi**"), and Nanchang Dimei Real Estate Development Co., Ltd. ("**Nanchang Dimei**"), 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 Group accounts for its investment in Jiangxi Baixing as a joint venture although the Group holds 60% of equity interest of this entity. According to the articles of association and the contract between the Group and the other equity interest holders of Jiangxi Baixing (the "**Contract A**"), the Group does not have control over Jiangxi Baixing.

According to the profit sharing arrangement stated in the Contract A, the Group has control over some specified assets of Jiangxi Baixing and is entitled to the returns from these specified assets. These specified assets are the only source of payment for the specified liabilities as stipulated in the Contract A. However, the above mentioned specified assets, liabilities and equity in the Contract A are not legally ring-fenced from the overall investee. There exists possibility that the specified assets could be used to meet liabilities of the rest of the investee. Therefore, in the opinion of the Directors, such arrangement does not qualify the concept of "deemed separate entity" as stated in IFRS 10.

The following table illustrates the summarised financial information of Jiangxi Baixing attributable to the

Group according to the profit sharing terms under the Contract A:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cash and cash equivalents	5,086	8,995	41,723	2,540
Other current assets	551,115	4,987,118	4,774,420	4,101,476
Current assets	556,201	4,996,113	4,816,143	4,104,016
Non-current assets	2,950	42,625	33,447	24,722
Current liabilities	(356,319)	(4,548,428)	(4,453,115)	(3,901,564)
Non-current financial liabilities, excluding trade and other payables and provisions	—	(300,000)	(170,000)	—
Carrying amount of the investment	202,832	190,310	226,475	227,174
Revenue	5	218	457,178	179,024
Expenses	(3,944)	(16,901)	(367,910)	(137,430)
Tax	856	4,161	(65,103)	(28,895)
(Loss)/income for the year/period	(3,083)	(12,522)	24,165	12,699
Total comprehensive income for the year/period	(3,083)	(12,522)	24,165	12,699

The Group accounts for its investment in Wuhan Furui Decheng as a joint venture although the Group holds 50.70% of equity interest of this entity. According to the articles of association and the contract between the Group and the other equity interest holders of Wuhan Furui Decheng (the "**Contract B**"), the Group does not have control over Wuhan Furui Decheng.

According to the profit sharing arrangement stated in the Contract B, the Group has control over some specified assets of Wuhan Furui Decheng and is entitled to the returns from these specified assets. These specified assets are the only source of payment for the specified liabilities as stipulated in the Contract B. However, the above mentioned specified assets, liabilities and equity in the Contract B are not legally ring-fenced from the overall investee. There exists possibility that the specified assets could be used to meet liabilities of the rest of the investee. Therefore, in the opinion of the Directors, such arrangement does not qualify the concept of "deemed separate entity" as stated in IFRS 10.

The following table illustrates the summarised financial information of Wuhan Furui Decheng attributable to the Group according to the profit sharing terms under the Contract B:

	31 December		30 April
	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Cash and cash equivalents	1,264	111,619	62,010
Other current assets	6,094,232	6,526,264	9,268,064
Current assets	6,095,496	6,637,883	9,330,074
Non-current assets	57	335	20,909
Current liabilities	(2,597,536)	(3,455,444)	(5,021,197)
Non-current financial liabilities, excluding trade and other payables and provisions	(300,000)	(10,000)	(322,954)
Carrying amount of the investment	3,198,017	3,172,774	4,006,832
Revenue	—	163	—
Expenses	(1,982)	(25,406)	(14,055)
Tax	—	—	12,936
Loss for the year/period	(1,982)	(25,243)	(1,119)
Total comprehensive income for the year/period	(1,982)	(25,243)	(1,119)

Wuhan Furui Decheng commenced construction work and pre-sale work during the Relevant Periods and will complete construction in 2021. According to the profit forecast, Wuhan Furui Decheng will realize sustainable profit upon the delivery of the property and the recoverable amount of it will be higher than the cost. The directors of the Company are of the opinion that no provision for impairment was necessary for the investment in Wuhan Furui Decheng as at 31 December 2017 and 2018 and 30 April 2019.

According to the articles of association and the contract between the Group and the other equity interest holders of Ezhou Jiayu (the "**Contract C**"), the Group has control over some specified assets of Ezhou Jiayu and is entitled to the returns from these specified assets. These specified assets are the only source of payment for the specified liabilities as stipulated in the Contract C. However, the abovementioned specified assets, liabilities and equity in the Contract C are not legally ring-fenced from the overall investee. There exists possibility that the specified assets could be used to meet liabilities of the rest of the investee. Therefore, in the opinion of the Directors, such arrangement does not qualify the concept of "deemed separate entity" as stated in IFRS 10.

The following table illustrates the summarised financial information of Ezhou Jiayu attributable to the Group according to the profit sharing terms under the Contract C:

	31 December 2018	30 April 2019
	(RMB'000)	*(RMB'000)*
Cash and cash equivalents	20,905	483
Other current assets	358,973	387,523
Current assets	379,878	388,006
Non-current assets	—	—
Current liabilities	(20,028)	(28,329)
Carrying amount of the investment	359,850	359,677

	31 December 2018	30 April 2019
	(RMB'000)	*(RMB'000)*
Revenue	—	—
Expenses	(150)	(173)
Tax	—	—
Loss for the year/period	(150)	(173)
Total comprehensive income for the year/period	(150)	(173)

Ezhou Jiayu will commence construction work and pre-sale work in June 2020 and December 2020, respectively, and complete construction in 2022. According to the profit forecast, Ezhou Jiayu will realize sustainable profit upon the delivery of the property and the recoverable amount of it will be higher than the cost. The directors of the Company are of the opinion that no provision for impairment was necessary for the investment in Ezhou Jiayu as at 31 December 2018 and 30 April 2019.

The following table illustrates the summarised financial information in respect of Jiangxi Dongyi, adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined financial statements:

	30 April 2019
	(RMB'000)
Cash and cash equivalents	10,081
Other current assets	1,385,817
Current assets	1,395,898
Non-current assets	67
Current liabilities	(671,737)
Non-current financial liabilities, excluding trade and other payables and provisions	—
Net assets	724,228
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	362,114
Carrying amount of the investment	362,114
Revenue	—
Expenses	(1,031)
Tax	—
Loss for the period	(1,031)
Total comprehensive income for the period	(1,031)

Jiangxi Dongyi commenced construction work and pre-sale work in July 2019 and September 2019, respectively, and will complete construction in 2021. According to the profit forecast, Jiangxi Dongyi will realize sustainable profit upon the delivery of the property and the recoverable amount of it will be higher than the cost. The directors of the Company are of the opinion that no provision for impairment was necessary for the investment in Jiangxi Dongyi as at 30 April 2019.

The following table illustrates the summarised financial information in respect of Nanchang Dimei, adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined financial statements:

	30 April 2019
	(RMB'000)
Cash and cash equivalents	16,369
Other current assets	2,017,670
Current assets	2,034,039
Current liabilities	(1,081,776)
Non-current financial liabilities, excluding trade and other payables and provisions	—
Net assets	952,263
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	571,358
Carrying amount of the investment	571,358
Revenue	—
Expenses	(1,819)
Tax	174
Loss for the period	(1,645)
Total comprehensive income for the period	(1,645)

Nanchang Dimei commenced construction work and pre-sale work in March 2019 and June 2019, respectively, and will complete construction in 2021. According to the profit forecast, Nanchang Dimei will realize sustainable profit upon the delivery of the property and the recoverable amount of it will be higher than the cost. The directors of the Company are of the opinion that no provision for impairment was necessary for the investment in Nanchang Dimei as at 30 April 2019.

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

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Share of the joint ventures' profits and losses for the year/period	—	(3,751)	(8,238)	(9,423)
Share of the joint ventures' total comprehensive loss	—	(3,751)	(8,238)	(9,423)
Aggregate carrying amount of the Group's investments in the joint ventures	—	1,291	106,987	1,559,729

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

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2016, 2017 and 2018 and 30 April 2019.

17. INVESTMENTS IN ASSOCIATES

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Share of net assets	152,413	184,451	708,072	771,640

The Group's receivable and payable balances with associates are disclosed in note 41 to the Historical Financial Information.

(a) **Particulars of the Group's associates**

Name of companies	**Place and year of registration**	**Nominal value of registered share capital**	**Statutory percentage of ownership interest attributable to the Group**	**Principal activities**
		('000)		
Nanchang Weiting Properties Co., Ltd. *(note 1)* 南昌市威汀置業有限公司	Nanchang, PRC 2013	RMB10,000	50.00%	Property development
Nanchang Zhengrun Properties Co., Ltd. 南昌正潤置業有限公司	Nanchang, PRC 2017	RMB40,000	27.00%	Property development
Nanchang Lizhou Properties Co., Ltd. 南昌力洲置業有限公司	Nanchang, PRC 2014	RMB3,000	20.00%	Property development
Wuhan Changxin Lihe Properties Co., Ltd. 武漢長信力合置業有限公司	Wuhan, PRC 2015	RMB30,000	30.00%	Property development
Shangrao Meiyue Real Estate Development Co., Ltd. 上饒市美越房地產開發有限公司	Shangrao, PRC 2018	RMB50,000	33.00%	Property development
Nanchang Junyue Real Estate Development Co., Ltd. 南昌駿越房地產開發有限公司	Nanchang, PRC 2018	HK$100,000	25.00%	Property development
Nanchang Shengdu Properties Co., Ltd. *(note 2)* 南昌盛都置業有限公司	Nanchang, PRC 2017	RMB300,000	18.00%	Property development
Zhongshan Shengying Real Estate Development Co., Ltd. 中山市昇盈房地產開發有限公司	Zhongshan, PRC 2014	RMB1,000	30.00%	Property development
Qingyuan Tianhe Real Estate Co., Ltd. *(note 3)* 清遠天河房地產有限公司	Qingyuan, PRC 2005	RMB12,032	31.50%	Property development
Xiamen Nanshui Real Estate Development Co., Ltd. 廈門南水房地產開發有限公司	Xiamen, PRC 2016	RMB288,000	20.00%	Property development
Nanchang Jianmei Real Estate Co., Ltd. *(note 4)* 南昌建美房地產有限公司	Nanchang, PRC 2017	RMB10,000	19.00%	Property development

Note 1: The Group accounts for its investment in Nanchang Weiting Properties Co., Ltd. as an associate although the Group holds 50% of equity interest of this entity. According to the articles of association and the contract between the Group and the other equity interest holders of Nanchang Weiting Properties Co., Ltd., the Group only has 18.75% voting rights in the shareholders' meeting.

Note 2: During the Relevant Periods, Nanchang Shengdu Properties Co., Ltd. ("**Nanchang Shengdu**") had five directors, one of which was appointed by the Group. Pursuant to the articles of association of Nanchang Shengdu, the Group has significant influence over Nanchang Shengdu. Therefore, Nanchang Shengdu was accounted for as an associate of the Group.

Note 3: During the Relevant Periods, Qingyuan Tianhe Real Estate Co., Ltd. ("**Qingyuan Tianhe**") had been controlled by the other equity interest holder according to the articles of association and the contract between the Group and the other equity interest holder, so the Group accounted it for as an associate. The Group holds 31.5% statutory percentage of Qingyuan Tianhe. Meanwhile, the shareholders of Qingyuan Tianhe legally transferred 30% equity interests, among which 13.5% equity interests belong to the Group, as collateral to a trust financing company. Under such the financing arrangement, the shareholders of Qingyuan Tianhe was obliged to purchase at a fixed amount on a future date upon repayment of the borrowings from the trust financing company. Considering the facts that the substance of the arrangement is to collateralise some equity interests in Qingyuan Tianhe for the borrowings for project development and the Group retains the practical ability to exercise the 45% voting rights of this entity, the directors of the Company are of the view that the Group retains 45% equity interests in this entity.

Note 4: Pursuant to the investment framework agreement and the articles of association of Nanchang Jianmei Real Estate Co., Ltd. ("**Nanchang Jianmei**"), all shareholder resolutions shall be resolved by all shareholders on a unanimous basis, the Group accounted for it as a joint venture as at 31 December 2017 and 2018. As at 30 April 2019, pursuant to an afresh agreement and the updated articles of association of Nanchang Jianmei, it was controlled by one of other equity interest holders, the Group accounted for it as an associate.

(b) Nanchang Lizhou Properties Co., Ltd. ("**Nanchang Lizhou**"), Nanchang Weiting Properties Co., Ltd. ("**Nanchang Weiting**") and Qingyuan Tianhe Real Estate Co., Ltd. ("**Qingyuan Tianhe**"), which are considered material associates of the Group for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, co-develop a property development project with 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 Nanchang Lizhou, adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined financial statements:

	31 December			**30 April**
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cash and cash equivalents	21,326	497	1,839	242
Other current assets	761,045	715,225	606,109	594,454
Current assets	782,371	715,722	607,948	594,696
Non-current assets	36,389	28,732	14,388	14,364
Current liabilities	(820,263)	(607,367)	(356,463)	(344,097)
Non-current financial liabilities, excluding trade and other payables and provisions	(2,617)	(1,266)	—	—
Net assets	(4,120)	135,821	265,873	264,963
Reconciliation to the Group's interest in the associate:				
Proportion of the Group's ownership	20%	20%	20%	20%
Carrying amount of the investment	—	27,164	53,175	52,993
Revenue	43,238	662,884	559,752	—
Expenses	(48,563)	(441,647)	(346,878)	(1,198)
Tax	1,298	(81,296)	(82,822)	288
(Loss)/profit for the year/period	(4,027)	139,941	130,052	(910)
Total comprehensive income for the year/period	(4,027)	139,941	130,052	(910)

The following table illustrates the summarised financial information in respect of Nanchang Weiting, adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined financial statements:

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cash and cash equivalents	63,384	14,802	4,878	55,421
Other current assets	783,754	887,566	947,586	758,348
Current assets	847,138	902,368	952,464	813,769
Non-current assets	9,481	17,207	49,909	350
Current liabilities	(559,085)	(608,061)	(396,582)	(147,713)
Non-current financial liabilities, excluding trade and other payables and provisions	—	(20,000)	(242,480)	(303,700)
Net assets	297,534	291,514	363,311	362,706
Reconciliation to the Group's interest in the associate:				
Proportion of the Group's ownership	50%	50%	50%	50%
Carrying amount of the investment	148,767	145,757	181,656	181,353
Revenue	—	—	483,556	—
Expenses	(11,324)	(13,854)	(402,141)	(605)
Tax	8,859	7,834	(9,618)	—
(Loss)/profit for the year/period	(2,465)	(6,020)	71,797	(605)
Total comprehensive income for the year/period	(2,465)	(6,020)	71,797	(605)

The following table illustrates the summarised financial information in respect of Qingyuan Tianhe, adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined financial statements:

	31 December 2018	30 April 2019
	(RMB'000)	*(RMB'000)*
Cash and cash equivalents	23,565	26,564
Other current assets	753,360	970,674
Current assets	776,925	997,238
Non-current assets	68	62
Current liabilities	–	(1,460)
Non-current financial liabilities, excluding trade and other payables and provisions	(230,000)	(450,000)
Net assets	546,993	545,840
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	45%	45%
Group's share of net assets of the associate	246,147	245,628
Carrying amount of the investment	246,147	245,628
Revenue	—	—
Expenses	(1,850)	(3,374)
Tax	—	—
Loss for the year/period	(1,850)	(3,374)
Total comprehensive income for the year/period	(1,850)	(3,374)

Qingyuan Tianhe commenced construction work and pre-sale work during the Relevant Periods and will complete construction in 2020. According to the profit forecast, Qingyuan Tianhe will realize sustainable profit upon the delivery of the property and the recoverable amount of it will be higher than the cost. The directors of the Company are of the opinion that no provision for impairment was necessary for the investment in Qingyuan Tianhe as at 31 December 2018 and 30 April 2019.

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

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Share of the associates' profits and losses for the year/period	(4,549)	(3,739)	(12,222)	(683)
Share of the associates' total comprehensive loss	(4,549)	(3,739)	(12,222)	(683)
Aggregate carrying amount of the Group's investments in the associates	3,646	11,530	227,094	291,666

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 and 30 April 2019.

18. LONG-TERM DEBT INVESTMENTS

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Debt investments	—	740,340	879,884	1,013,077
Less: Impairment	—	(741)	(880)	(1,013)
	—	739,599	879,004	1,012,064
Less: Portion classified as current assets	—	(121,930)	(314,942)	(355,498)
Non-current portion	—	617,669	564,062	656,566

Long-term debt investments are recorded in the amortised cost less allowance for impairment.

The movements in provision for long-term debt investments are as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
At the beginning of the year/period	—	—	741	880
Impairment losses recognised *(note 6)*	—	741	139	133
At the end of the year/period	—	741	880	1,013

The internal credit rating of long-term debt investments was regarded as the grade of performing. The Group has assessed that the credit risk of the long-term debt investments has not increased significantly since initial recognition. The expected loss rate of the long-term debt investments 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 nil, RMB741,000, RMB880,000 and RMB1,013,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

19. DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax assets

	Fair value adjustments arising from financial assets at FVTPL	Fair value adjustments arising from financial liabilities at FVTPL	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)*	*(RMB'000)*	*(RMB'000)*
At 1 January 2016	—	—	—	62,198	37	113,764	—	175,999
Deferred tax credited to profit or loss during the year *(note 10)*	—	21	1,241	40,531	19	214,817	2,166	258,795
At 31 December 2016 and 1 January 2017	—	21	1,241	102,729	56	328,581	2,166	434,794
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	—	(19)	89,440	(20,311)	6,029	615,534	61,601	752,274
At 31 December 2017 and 1 January 2018	—	2	90,681	82,418	6,085	944,115	63,767	1,187,068
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	—	(2)	2,559	(20,333)	(298)	688,944	93,082	763,952
At 31 December 2018 and 1 January 2019	—	—	93,240	62,085	5,787	1,633,059	156,849	1,951,020
Deferred tax (charged)/credited to profit or loss during the period *(note 10)*	485	–	11,486	16,915	(146)	202,502	167,651	398,893
At 30 April 2019	485	–	104,726	79,000	5,641	1,835,561	324,500	2,349,913

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVTPL	Fair value adjustments arising from financial liabilities at FVTPL	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)*	*(RMB'000)*
At 1 January 2016	—	—	697	—	563	1,260
Deferred tax charged to profit or loss during the year *(note 10)*	—	—	19,495	—	4,316	23,811
At 31 December 2016 and 1 January 2017	—	—	20,192	—	4,879	25,071
Acquisition of subsidiaries *(note 36)*	—	—	—	177,507	—	177,507
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	—	—	21,510	5,285	43,915	70,710
At 31 December 2017 and 1 January 2018	—	—	41,702	182,792	48,794	273,288
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	4,715	58	27,540	(10,551)	124,019	145,781
At 31 December 2018 and 1 January 2019	4,715	58	69,242	172,241	172,813	419,069
Acquisition of subsidiaries *(note 36)*	—	—	—	123,652	—	123,652
Deferred tax charged/(credited) to profit or loss during the period *(note 10)*	(4,715)	25	6,858	(88)	38,616	40,696
At 30 April 2019	—	83	76,100	295,805	211,429	583,417

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

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net deferred tax assets recognised in the combined statements of financial position	430,262	1,065,296	1,652,258	2,008,147
Net deferred tax liabilities recognised in the combined statements of financial position	(20,539)	(151,516)	(120,307)	(241,651)
	409,723	913,780	1,531,951	1,766,496

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 and the four months ended 30 April 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 amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB80,534,000 as at 30 April 2019.

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

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Tax losses	9,076	45,721	173,057	210,501

Tax losses not recognised expires as follows:

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
2020	4,734	—	—	—
2021	31,570	—	—	—
2022	—	182,884	147,128	137,137
2023	—	—	545,100	530,887
2024	—	—	—	173,980
	36,304	182,884	692,228	842,004

20. PROPERTIES UNDER DEVELOPMENT

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
At the beginning of the year/period	4,140,486	9,201,729	28,340,270	43,560,301
Additions	8,617,733	20,611,432	22,769,382	8,237,628
Acquisition of subsidiaries *(note 36)*	—	1,144,356	—	718,056
Transferred to cost of inventories sold *(note 6)*	(35,119)	(429,961)	(966,978)	(507,479)
Transferred to completed properties held for sale *(note 21)*	(3,521,371)	(2,187,286)	(6,582,373)	(3,530,233)
At the end of the year/period	9,201,729	28,340,270	43,560,301	48,478,273

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 RMB4,193,046,000, RMB13,918,738,000, RMB17,316,129,000 and RMB21,222,163,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 30).

The value of properties under development is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. 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.

The Group has guaranteed certain bank and other borrowings of its related parties of RMB1,650,000,000, RMB1,605,000,000 and RMB1,605,000,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively. The abovementioned bank and other borrowings were also secured by the pledges of the Group's assets with aggregate carrying amounts of RMB1,937,328,000, RMB2,580,844,000 and RMB2,580,844,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively. Further details are included in note 38 and note 41 to the Historical Financial Information.

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB1,627,905,000 and RMB1,627,905,000 as at 31 December 2018 and 30 April 2019, respectively, have been pledged to secure bank and other borrowings granted to a third party (note 38).

21. COMPLETED PROPERTIES HELD FOR SALE

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Carrying amount at the beginning of the year/period	426,210	2,313,265	1,811,813	4,094,399
Acquisition of a subsidiary *(note 36(b))*	—	352,528	—	—
Transferred from properties under development *(note 20)*	3,521,371	2,187,286	6,582,373	3,530,233
Transferred to cost of inventories sold *(note 6)*	(1,634,316)	(3,041,266)	(4,299,787)	(3,227,890)
At the end of the year/period	2,313,265	1,811,813	4,094,399	4,396,742

Certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB38,109,000, RMB617,025,000, RMB1,538,211,000 and RMB1,089,180,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 30).

The value of completed properties held for sale is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. 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.

22. TRADE RECEIVABLES

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade receivables	—	—	—	2,403
Impairment	—	—	—	—
	—	—	—	2,403

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			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Less than 1 year	—	—	—	2,403
Over 1 year	—	—	—	—
	—	—	—	2,403

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			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Prepayments for acquisition of land use rights	—	57,191	1,713,863	1,851,848
Prepaid taxes and other tax recoverables	169,551	471,029	1,277,833	1,556,824
Prepayments for construction cost	24,192	101,703	128,758	157,328
Deposits for land auction	—	44,710	285,125	135,000
Other deposits *(note)*	172,946	411,608	896,467	958,980
Due from non-controlling shareholders of the subsidiaries	6,517	15,177	18,977	39,724
Interest receivable	16,260	21,890	99,894	99,894
Other receivables	35,239	82,873	138,980	165,946
424,705	1,206,181	4,559,897	4,965,544	
Less: Impairment	(224)	(519)	(1,073)	(1,099)
	424,481	1,205,662	4,558,824	4,964,445

Note: Other deposits include deposits for wall materials, migrant workers' deposits and deposits made to general contractors subject to the construction agreements, etc.

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. The movements in provision for impairment of receivables are as follows:

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
At the beginning of the year/period	147	224	519	1,073
Impairment losses recognised *(note 6)*	77	295	554	26
At the end of the year/period	224	519	1,073	1,099

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries, interest receivable, 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 RMB224,000, RMB519,000, RMB1,073,000 and RMB1,099,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

24. OTHER NON-CURRENT ASSETS

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Prepayments for equity investments	1,261,144	2,044,164	1,201,085	834,444
Deferred commission for external agents	15,301	170,108	455,463	519,466
1,276,445	2,214,272	1,656,548	1,353,910	

25. FINANCIAL ASSETS AT FVTPL

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Listed equity investments, at fair value	—	—	64,867	44,067

The above equity investments at 31 December 2018 and 30 April 2019 were classified as financial assets at FVTPL as they were held for trading.

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cash and bank balances	1,033,719	4,283,063	10,065,566	9,609,683
Less: Restricted cash	266,726	1,172,860	2,623,147	3,468,422
Pledged deposits	67,052	233,302	358,899	754,124
Cash and cash equivalents	699,941	2,876,901	7,083,520	5,387,137

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 and 30 April 2019, such restricted cash amounted to RMB266,723,000, RMB1,172,856,000, RMB2,623,126,000 and RMB3,468,412,000, respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the restricted cash included construction loan mortgage amounting to RMB3,000, RMB4,000, RMB14,000 and RMB10,000, respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019, the restricted cash amounting to nil, nil, RMB7,000 and nil was frozen by the People's court due to lawsuits, respectively.

Bank deposits of RMB5,266,000, RMB30,433,000, RMB31,615,000 and RMB34,952,000 were pledged as security for bank and other borrowings as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Bank deposits of RMB61,786,000, RMB202,869,000, RMB327,284,000 and RMB719,172,000, were pledged as security for purchasers' mortgage loans, construction of projects and notes payable as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Cash and cash equivalents				
Denominated in RMB	699,941	2,858,735	7,042,201	5,342,432
Denominated in HK$	—	18,166	41,319	44,705
	699,941	2,876,901	7,083,520	5,387,137

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The internal credit rating of restricted cash, pledged deposits and cash and cash equivalents 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

12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

27. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Less than 1 year	1,571,692	2,458,229	3,095,914	3,774,758
Over 1 year	183	7,234	46,348	51,476
	1,571,875	2,465,463	3,142,262	3,826,234

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.

28. OTHER PAYABLES AND ACCRUALS

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Outstanding consideration for assets acquisition	1,633,602	1,390,124	3,051,198	2,554,930
Interest payable	21,903	50,895	328,965	235,700
Deposits related to sales of properties	30,051	50,265	155,116	219,711
Other tax and surcharges	18,526	84,489	99,137	78,724
Maintenance fund	17,502	39,212	75,244	100,177
Payroll and welfare payable	13,086	36,083	48,468	56,030
Retention deposits related to construction	1,973	54,701	39,632	39,679
Commission payable	6,639	25,141	23,815	21,620
Due to non-controlling shareholders of subsidiaries	2,852	13,452	4,598	48,514
Others	7,283	49,295	72,405	66,048
	1,753,417	1,793,657	3,898,578	3,421,133

Other payables and advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

29. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Contract liabilities	7,118,885	20,063,821	40,196,400	43,726,570

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 the Relevant Periods related to carried-forward contract liabilities.

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue recognised that was included in the contract liability balance at the beginning of the year/period				
Sale of properties	2,078,441	4,526,775	8,197,060	5,233,617

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			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Expected to be satisfied within 1 year	4,575,856	7,171,449	21,136,377	23,743,586
over 1 year	3,562,413	19,157,386	26,581,826	27,603,107
	8,138,269	26,328,835	47,718,203	51,346,693

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2016			31 December 2017			31 December 2018			30 April 2019		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*				
Current												
Bank loans — secured . . .	7.83	2017	20,000	—	8.00	2019	50,000	8.00	2019	50,000		
Other loans — secured . .	10.20	2017	98,000	8.10-10.51	2018	596,400	8.00-16.00	2019	2,713,907	8.00-14.00	2019-20	2,726,548
Other loans — unsecured .	—	—	—	12.00	2019	311,242						
Current portion of long term bank loans — secured . .	5.70-6.98	2017	675,000	4.75-9.00	2018	2,424,627	6.30-10.00	2019	3,107,694	5.70-10.00	2019-20	3,089,476
Current portion of other loans — secured	7.00-15.00	2017	2,203,600	8.50-11.50	2018	6,228,100	9.50-15.10	2019	3,353,363	9.50-15.10	2019-20	4,157,184
			2,996,600			9,249,127			9,224,964			10,334,450
Non-current												
Bank loans — secured . . .	6.98	2019	750,000	6.30-9.00	2019-20	3,648,961	5.23-9.50	2020-21	5,914,494	4.67-10.00	2020-22	7,883,001
Other loans — secured . .	9.45-10.10	2018-19	2,690,900	8.62-13.62	2019-20	3,777,559	9.20-15.46	2020	6,371,246	9.20-15.46	2020-21	7,228,097
			3,440,900			7,426,520			12,285,740			15,111,098
			6,437,500			16,675,647			21,510,704			25,445,548

Bank and other borrowings

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Analysed into:				
Bank loans repayable:				
Within one year	695,000	2,424,627	3,157,694	3,139,476
In the second year	—	930,000	4,516,794	4,683,101
In the third to fifth years, inclusive	750,000	2,718,961	1,397,700	3,199,900
	1,445,000	6,073,588	9,072,188	11,022,477
Other borrowings repayable:				
Within one year	2,301,600	6,824,500	6,067,270	7,194,974
In the second year	2,089,900	3,597,559	6,371,246	7,228,097
In the third to fifth years, inclusive	601,000	180,000	—	—
	4,992,500	10,602,059	12,438,516	14,423,071
	6,437,500	16,675,647	21,510,704	25,445,548

The Group's bank and other borrowings are mainly denominated in RMB, except for a bank loan from LUSO International Banking Limited amounting to HK$1,697,050,000.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

		31 December			30 April
	Notes	2016	2017	2018	2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Property, plant and equipment	13	62,027	71,332	68,172	67,001
Investment properties	14	—	411,450	416,067	416,067
Properties under development	20	4,193,046	13,918,738	17,316,129	21,222,163
Completed properties held for sale .	21	38,109	617,025	1,538,211	1,089,180
Pledged deposits	26	5,266	30,433	31,615	34,952

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.

Sinic Technology Group Co., Ltd. has pledged with RMB1,620,000,000, RMB1,620,000,000, and RMB1,620,000,000 deposits for certain of the Group's bank and other borrowings up to RMB1,493,688,000, RMB1,529,407,000 and RMB1,455,797,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

The Controlling Shareholder has guaranteed certain of the bank and other borrowings up to RMB1,764,700,000 and RMB860,700,000 as at 31 December 2018 and 30 April 2019, respectively.

The Controlling Shareholder and Ms. Wu Chengping have guaranteed certain of the bank and other borrowings up to RMB980,500,000, RMB246,400,000, RMB3,763,516,000 and RMB5,777,784,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

The Controlling Shareholder, Ms. Wu Chengping and Mr. Shen Linghua have guaranteed certain of the bank and other borrowings up to RMB161,000,000 as at 31 December 2016.

The Controlling Shareholder, Ms. Wu Chengping, Mr. Shen Linghua and Ms. Ouyang Hongli have guaranteed certain of the bank and other borrowings up to RMB5,001,000,000, RMB7,258,900,000, RMB2,690,880,000 and RMB1,885,480,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

The Controlling Shareholder, Ms. Wu Chengping, Mr. Shen Linghua, Ms. Ouyang Hongli, Mr. Li Haiwen and Ms. Lin Jianhua have guaranteed certain of the bank and other borrowings up to RMB155,000,000 as at 31 December 2016.

The Controlling Shareholder, Mr. Shen Linghua, Mr. Zhang Chunhua, Mr. Hu Wenyong, Mr. Liu Chengwei, 南昌交新物流有限公司 ("**Nanchang Jiaoxin Logistical Co., Ltd.**") and 南昌市嘉洋實業發展有限公司 ("**Nanchang Jiayang Industrial Development Co., Ltd.**") have guaranteed certain of the bank and other borrowings up to RMB20,000,000 as at 31 December 2016.

The Controlling Shareholder, Ms. Wu Chengping and Sinic Technology Group Co., Ltd. have guaranteed certain of the bank and other borrowings up to RMB5,196,659,000, RMB3,626,493,000 and RMB2,946,064,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

The Controlling Shareholder, Ms. Wu Chengping, Mr. Shen Linghua, Ms. Ouyang Hongli and Sinic Technology Group Co., Ltd. have guaranteed certain of the bank and other borrowings up to RMB980,000,000, RMB700,000,000 and RMB400,000,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

Sinic Technology Group Co., Ltd. has guaranteed certain of the bank and other borrowings up to RMB1,493,688,000, RMB1,779,407,000 and RMB1,455,797,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

The Controlling Shareholder, Ms. Wu Chengping and 南昌市建鼎實業發展有限公司 ("**Nanchang Jiandin Industrial Development Co., Ltd.**") have guaranteed certain of the bank and other borrowings up to RMB300,000,000 as at 31 December 2017.

The Controlling Shareholder, Mr. Peng Xiaobao, Sinic Technology Group Co., Ltd., and 南昌市寶龍建築工程 有限公司 ("**Nanchang Baolong Construction Co., Ltd.**") have guaranteed certain of the bank and other borrowings up to RMB1,200,000,000 as at 31 December 2017.

The Controlling Shareholder, Ms. Wu Chengping and 武漢正和置業有限公司 ("**Wuhan Zhenghe Properties Co., Ltd.**") have guaranteed certain of the Group's bank and other borrowings up to RMB27,800,000 and RMB474,900,000 as at 31 December 2018 and 30 April 2019, respectively.

The Controlling Shareholder, Ms. Wu Chengping and Wuhan Furui Decheng Real Estate Development Co., Ltd. have guaranteed certain of the Group's bank and other borrowings up to RMB1,736,000,000 and RMB1,388,800,000 as at 31 December 2018 and 30 April 2019, respectively.

31. FINANCIAL LIABILITIES AT FVTPL

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Contingent consideration	935	861	619	519

On 22 March 2016, the Group acquires 100% interests of Jiangxi JunYu Industrial Co., Ltd. from the original shareholders. According to the contractual terms, the Group agreed with the original shareholders that if the profit

margin of the project is higher than 10%, the Group should distribute 30% of the exceeding part, a contingent consideration for the business combination, to the original shareholders. The contingent consideration to be transferred to the original shareholders is recognised at fair value at the acquisition date and measured at fair value with changes in fair value recognised in profit or loss.

32. CORPORATE BONDS

Name of bonds	1 January 2018 Opening balance	Issued in 2018	Interest expense	Payment	31 December 2018 Closing balance
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Sinic Bond I	—	312,005	5,070	—	317,075
Sinic Bond II	—	274,416	579	—	274,995
	—	586,421	5,649	—	592,070

Name of bonds	1 January 2019 Opening balance	Issued in 2019	Interest expense	Payment	30 April 2019 Closing balance
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Sinic Bond I	317,075	—	8,221	—	325,296
Sinic Bond II	274,995	—	6,944	—	281,939
Sinic Bond III	—	415,674	921	—	416,595
	592,070	415,674	16,086	—	1,023,830

As at the end of each of the year/period, the Group's corporate bonds were repayable as follows:

	31 December 2018	30 April 2019
	(RMB'000)	*(RMB'000)*
Repayable within one year	—	—
Repayable within two to five years	592,070	1,023,830
	592,070	1,023,830

On 18 October 2018, Sinic Real Estate issued a three-year corporate bond with a principal amount of RMB313,000,000 ("**Sinic Bond I**"), which was privately issued on the Shanghai Stock Exchange. Sinic Bond I is denominated in RMB and bears interest at a rate of 7.9% per annum, payable annually in arrears 19 October on or on the business day nearest hereto each year, beginning 19 October 2018. After deducting the issuance costs, the Group received net proceeds of RMB312,004,660 from the issuance. The effective interest rate was 8.02% on an annual basis for the year ended 31 December 2018.

According to the terms of Sinic Bond I, Sinic Real Estate may at its option adjust the interest rate at the end of the second year, and the bondholders may at their option sell the bond back to Sinic Real Estate at the end of the second year, in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the option exercise date.

On 21 December 2018, Sinic Real Estate issued a three-year corporate bond with a principal amount of RMB276,000,000 ("**Sinic Bond II**"), which was privately listed on the Shanghai Stock Exchange. Sinic Bond II is denominated in RMB and bears interest at a rate of 7.5% per annum, payable annually in arrears 24 December or on the business day nearest hereto each year, beginning 24 December 2018. After deducting the issuance costs, the Group received net proceeds of RMB274,416,360 from the issuance. The effective interest rate was 7.70% on an annual basis for the year ended 31 December 2018.

According to the terms of Sinic Bond II, Sinic Real Estate may at its option adjust the interest rate at the end of the second year, and the bondholders may at their option sell the bond back to Sinic Real Estate at the end of the second year, in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the option exercise date.

On 19 April 2019, Sinic Real Estate issued a three-year corporate bond with a principal amount of RMB417,000,000 ("**Sinic Bond III**"), which was privately listed on the Shanghai Stock Exchange. Sinic Bond III is denominated in RMB and bears interest at a rate of 7.5% per annum, payable annually in arrears 22 April or on the business day nearest hereto each year, beginning 22 April 2020. After deducting the issuance costs, the Group received net proceeds of RMB415,673,940 from the issuance. The effective interest rate was 7.60% on an annual basis for the four months ended 30 April 2019.

According to the terms of Sinic Bond III, Sinic Real Estate may at its option adjust the interest rate at the end of the second year, and the bondholders may at their option sell the bond back to Sinic Real Estate at the end of the second year, in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the option exercise date.

After initial recognition, the corporate bonds are subsequently measured at amortised cost, using the effective interest rate method. 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.

The fair values of corporate bonds were RMB590,492,000 and RMB1,011,137,000 as at 31 December 2018 and 30 April 2019, respectively (note 43).

33. SHARE CAPITAL SHARES

	31 December 2018	30 April 2019
	(HK$)	*(HK$)*
Authorised:		
38,000,000 ordinary shares of HK$0.01 each	—	—
At 31 December 2018 and 30 April 2019, respectively	—	—

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
	(RMB'000)	
At 18 September 2018 (date of incorporation)	—	—
Issuance of new shares	100	—
At 31 December 2018 and 1 January 2019	100	—
Issuance of new shares	—	—
At 30 April 2019	100	—

The Company was incorporated in the Cayman Islands on 18 September 2018 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 at par value each.

On 18 September 2018, 95 and 5 ordinary shares of HK$0.01 were allotted by the Company for cash to Xin Hong Company Limited and Xin Heng Company Limited, respectively.

On 13 May 2019, Xin Hong Company Limited has transferred its 95 ordinary shares to Sinic Holdings Group Company Limited.

On 17 May 2019, the Company further allotted and issued 845 and 45 shares of HK$0.01 to Sinic Holdings Group Company and Xin Heng Company Limited, respectively. On the same day, Forever Elite Ventures Limited transferred all the shares of Forest Resources Developments Limited to the Company in exchange for the allotment and issue by the Company of 10 shares to Forever Elite Ventures Limited.

On 15 October 2019, the authorized share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 shares of a par value of HK$0.01 each.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 are presented in the combined statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) **Merger reserve**

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(c) **Capital reserve**

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interests in subsidiaries. Details of the movements in capital reserve are set out in the combined statement of changes in equity.

(d) **Statutory surplus reserve**

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net 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.

(e) **Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.5.

35. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Corporate bonds	Due to related companies	Lease liabilities	Total liabilities from financing activities
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
At 1 January 2016	1,721,000	—	759,151	—	2,480,151
Cash flows from/(used in) financing activities	4,716,500	—	(567,274)	—	4,149,226
Cash flows from non-financing activities	—	—	1,784	—	1,784
At 31 December 2016	6,437,500	—	193,661	—	6,631,161
Cash flows from financing activities	10,238,147	—	2,090,047	—	12,328,194
Cash flows from non-financing activities	—	—	10,798	—	10,798
At 31 December 2017	16,675,647	—	2,294,506	—	18,970,153
Cash flows from/(used in) financing activities	4,764,731	586,421	(924,747)	—	4,426,405
Cash flows from non-financing activities	—	—	30,428	—	30,428
Accrual of interest	—	5,649	—	—	5,649
Effect of foreign exchange rate changes	70,326	—	—	—	70,326
At 31 December 2018	21,510,704	592,070	1,400,187	—	23,502,961
Impact of adopting IFRS 16 *(note 2.3)*	—	—	—	41,585	41,585
Restated balance at 1 January 2019	21,510,704	592,070	1,400,187	41,585	23,544,546
Cash flows from/(used in) financing activities	3,966,002	415,674	1,090,789	(8,416)	5,464,049
Cash flows from non-financing activities	—	—	472,297	—	472,297
New operating lease	—	—	—	9,374	9,374
Accrual of interest	—	16,086	—	832	16,918
Effect of foreign exchange rate changes	(31,158)	—	—	—	(31,158)
At 30 April 2019	25,445,548	1,023,830	2,963,273	43,375	29,476,026

36. BUSINESS COMBINATIONS

(a) Acquisition of Huizhou Shengyuan

On 8 February 2017, the Group acquired a 100% equity interest in Huizhou Shengyuan, an unlisted company with registered capital of RMB5,000,000 from Huizhou Daya Bay Lijia Property Development Co., Ltd. and Shenzhen Chufeng Industrial Co., Ltd. They are mainly engaged in real estate development and operation. 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 RMB379,630,000 at the acquisition date.

Since the acquisition, Huizhou Shengyuan contributed RMB40,867,000 to the Group's revenue and a loss of RMB12,856,000 to the combined statements 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 RMB5,241,086,000 and RMB278,021,000, respectively.

The fair values of the identifiable assets and liabilities of Huizhou Shengyuan as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	(RMB'000)
Properties under development	558,488
Cash and cash equivalents	44
Deferred tax liabilities *(note 19)*	(109,596)
Other payables and accruals	(66,500)
Total identifiable net assets at fair value	382,436
Gains on bargain purchase recognised in other income and gains in profit or loss	(2,806)
Satisfied by cash	379,630

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	(RMB'000)
Cash considerations	(379,630)
Cash and cash equivalents acquired	44
Net outflow of cash and cash equivalents included in cash flows from investing activities	(379,586)

(b) Acquisition of Wuxi Fuan

On 30 April 2017, the Group acquired a 100% equity interest in Wuxi Fuan, an unlisted company with registered capital of RMB100,000,000 from Jiangsu Fuan Investment Group Co., Ltd. Wuxi Fuan is mainly engaged in real estate development and operation. 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 RMB95,000,000 at the acquisition date.

Since the acquisition, Wuxi Fuan contributed nil to the Group's revenue and a loss of RMB42,690,000 to the combined statements 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 RMB5,241,086,000 and RMB260,192,000, respectively.

The fair values of the identifiable assets and liabilities of Wuxi Fuan as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	(RMB'000)
Completed properties held for sale	352,528
Properties under development	585,868
Tax receivable	1,442
Cash and cash equivalents	2,405
Prepayments and other receivables	154,806
Trade payables	(212,975)
Tax payables	(120)
Deferred tax liabilities *(note 19)*	(67,911)
Contract liabilities	(7,580)
Other payables and accruals	(710,089)
Total identifiable net assets at fair value	98,374
Gains on bargain purchase recognised in other income and gains in profit or loss	(3,374)
Satisfied by cash	95,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	(RMB'000)
Cash considerations	(95,000)
Cash and cash equivalents acquired	2,405
Net outflow of cash and cash equivalents included in cash flows from investing activities	(92,595)

(c) Acquisition of Zhongshan Dutou

On 31 January 2019, the Group acquired a 100% equity interest in Zhongshan Dutou, an unlisted company with registered capital of RMB160,213,800 from Zhongshan Guilin Properties Co., Ltd. Zhongshan Dutou is mainly engaged in real estate development and operation. 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 RMB524,450,000 at the acquisition date.

Since the acquisition, Zhongshan Dutou contributed nil to the Group's revenue and a loss of RMB5,579,000 to the combined statements of profit or loss and other comprehensive income for the four months ended 30 April 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB5,709,425,000 and RMB280,523,000, respectively.

The fair values of the identifiable assets and liabilities of Zhongshan Dutou as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	(RMB'000)
Properties under development	718,056
Property, plant and equipment	880
Cash and cash equivalents	6,182
Prepayments and other receivables	180,204
Tax recoverable	8,643
Other payables and accruals	(263,133)
Deferred tax liabilities (note 19)	(123,652)
Total identifiable net assets at fair value	527,180
Gains on bargain purchase recognised in other income and gains in profit or loss	(2,730)
Satisfied by cash	524,450

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	(RMB'000)
Cash considerations	(524,450)
Cash and cash equivalents acquired	6,182
Net outflow of cash and cash equivalents included in cash flows from investing activities	(518,268)

37. DISPOSAL OF SUBSIDIARIES

(a) 惠州新力力鴻房地產開發有限公司 **("Huizhou Sinic Lihong Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 20 November 2018, the Group disposed of its 70% equity interest in Huizhou Sinic Lihong Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB1. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 21 November 2018.

(b) 江西夢龍房地產開發有限公司 **("Jiangxi Menglong Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 16 November 2018, the Group disposed of its 100% equity interest in Jiangxi Menglong Real Estate Development Co., Ltd. to 新力力創實業有限公司 ("**Sinic Lichuang Industrial 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 20 November 2018.

(c) 江西綠洋建築工程有限公司 **("Jiangxi Lvyang Construction Co., Ltd.")**

Pursuant to the share transfer agreement dated 25 April 2018, the Group disposed of its 100% equity interest in Jiangxi Lvyang Construction Co., Ltd. to 南昌市頂豐投資諮詢有限公司 ("**Nanchang Dinfeng Investment Consulting Ltd.**") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 27 April 2018.

(d) 惠州新力泓悦房地產開發有限公司 **("Huizhou Sinic Hongyue Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 2 November 2018, the Group disposed of its 100% equity interest in Huizhou Sinic Hongyue Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB1. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 2 November 2018.

(e) 惠州新力泓軒房地產開發有限公司 **("Huizhou Sinic Hongxuan Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 2 November 2018, the Group disposed of its 100% equity interest in Huizhou Sinic Hongxuan Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB1. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 2 November 2018.

(f) 惠州新力泓豐房地產開發有限公司 **("Huizhou Sinic Hongfeng Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 2 November 2018, the Group disposed of its 100% equity interest in Huizhou Sinic Hongfeng Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB1. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 2 November 2018.

(g) 惠州力新在悦房地產開發有限公司 **("Huizhou Lixin Zaiyue Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 7 November 2018, the Group disposed of its 100% equity interest in Huizhou Lixin Zaiyue Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB2. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 12 November 2018.

(h) 惠州新悅力和房地產開發有限公司 **("Huizhou Xinyue Lihe Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 7 November 2018, the Group disposed of its 100% equity interest in Huizhou Xinyue Lihe Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB2. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 12 November 2018.

(i) 惠州新力品質房地產開發有限公司 **("Huizhou Sinic Pinzhi Real Estate Development Co., Ltd.")**

Pursuant to the share transfer agreement dated 7 November 2018, the Group disposed of its 75% equity interest in Huizhou Sinic Pinzhi Real Estate Development Co., Ltd. to 上海鴻綦新材料有限公司 ("**Shanghai Hongqi New Material Co., Ltd.**") for a consideration of RMB1. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 13 November 2018.

All the above-mentioned subsidiaries are dormant since the date of establishment, and have not commenced any operations before they were disposed of.

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	Year ended 31 December 2018
	(RMB'000)
Net assets disposed of:	
Cash and cash equivalents	—
Prepayments and other receivables	35,303
Other payables and accruals	(36,490)
	(1,187)
Gain on disposal of subsidiaries	1,187
	—
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 2018
	(RMB'000)
Cash consideration	—
Cash and cash equivalents disposed of	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	—

The directors of the Company consider that all subsidiaries disposed of were not significant to the Group and thus the individual financial information of subsidiaries on the disposal date was not disclosed.

38. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the combined financial statements were as follows:

	Notes	31 December 2016	31 December 2017	31 December 2018	30 April 2019
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	3,560,606	9,059,100	27,465,861	28,527,100
Guarantees given to banks in connection with facilities granted to related parties and third parties	(2)	280,000	2,607,400	4,854,792	4,893,942

(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 financial facilities granted to the related companies and third parties. The directors of the Company consider that no provision is needed in respect of the guarantees, since the fair value is immaterial.

(3) In June 2018, one subsidiary of the Group, Sinic Real Estate, entered into an agreement with Zhejiang Bokang Property Co., Ltd. and Anji Xingshang Holding Investment Enterprise Co., Ltd. (together, "**Bokang Anji**") to acquire certain equity interest in a project company in Anji County, Zhejiang Province ("**Anji Project Company**"), for an aggregate amount of RMB475,000,000. In October 2018, Sinic Real Estate issued a letter to Bokang Anji to dissolve the agreement on the ground that Bokang Anji had failed to fulfil the terms of the contract to allow Sinic Real Estate to develop the relevant land parcels held by Anji Project Company. In November 2018, Bokang Anji filed a lawsuit with Anji County People's Court against Sinic Real Estate for an aggregate amount of approximately RMB24,700,000, alleging that Sinic Real Estate caused damages to Bokang Anji by terminating the agreement. In December 2018, Sinic Real Estate filed a countersuit against Bokang Anji for an aggregate amount of approximately RMB47,500,000. On July 25,2019, the Anji County People's Court issued its decision in which it held that the agreement between Sinic Real Estate and Bokang Anji was terminated on December 26, 2018 and that Bokang Anji owed damages and legal fees totaling approximately RMB3,200,000 to Sinic Real Estate for breaching the relevant terms of the agreement. Bokang Anji has appealed the decision to the Intermediate People's Court of Huzhou City, arguing that Sinic Real Estate owed Bokang Anji damages. Sinic Real Estate claimed on the appeal that the damages owed by Bokang Anji to Sinic Real Estate should be the amount claimed by Sinic Real Estate in the initial lawsuit filed in December 2018. As of the date of this prospectus, the appeals are pending before the local court. The Group's external PRC counsel for the lawsuit advised that it was of the view that Bokang Anji had a relatively low likelihood of success in claiming damages from Sinic Real Estate on the appeal because, as Anji County People's Court has held, Bokang Anji failed to fulfill its obligations under the agreement which were precondition to our making payments to them as set forth in the agreement and because Bokang Anji did not raise any new evidence on the appeal. Accordingly, the

group has not made any provision for this lawsuit because the Directors consider the likelihood of being found having to pay damages by the local court remote based on the advice from their external PRC counsel for the lawsuit. As such, the Directors believe that the lawsuit would not have a material adverse effect on the Group's financial condition or results of operations.

Since April 2019, one subsidiary of the Group, Huizhou Shengyuan has received total of 84 lawsuits filed by some of the purchasers of Xiangshan Ju, one of the Group's property projects, with the People's Court of Huizhou Daya Bay Economic and Technology Development District ("**Daya Bay Court**"), alleging their decisions to purchase the property units at Xiangshan Ju were based on the misleading claims and/or certain sales and marketing materials of Xiangshan Ju shared the same facilities and ancillary resources with Huizhou Dong Yuan, another one of the Group's property projects which is adjacent to Xiangshan Ju ("**the Alleged Claims**"). As of the date of this prospectus, of these 84 lawsuits, two were settled, 82 lawsuits are pending before the Daya Bay Court. Of the two lawsuits that were settled, one was first decided by the Daya Bay Court on July 5, 2019 before the settlement agreement between the plaintiffs and the Group. In the July 5, 2019 decision, the Daya Bay Court held that (i) there was no ground to support the plaintiffs' request to terminate the relevant sales agreement between the plaintiffs and the Group because (x) the plaintiffs entered into the agreement as natural persons with full capacity, and therefore the agreement is legal, valid and binding on such plaintiffs, and (y) the conditions for termination under the PRC Contract Law were not met, which require, among others, mutual consent by the contracting parties to terminate or failure of or breach by a contracting party that prevents the purpose of the agreement from being achieved, and the Daya Bay Court found that the purpose of the agreement has been achieved when the relevant property unit was delivered to the plaintiffs in the conditions set forth in the agreement; (ii) notwithstanding the above, the Alleged Claims had a material impact on the plaintiffs' decision to enter into the relevant sales agreement and the pricing of the relevant property unit, and therefore were considered a part of the terms of the relevant sales agreement; (iii) the Company failed to fulfill the Alleged Claims, which constitutes a breach under the relevant sales agreement. The Daya Bay Court awarded the plaintiffs damages of approximately RMB18,930.4 representing 1.5% of the sales price of the relevant property unit sold to the plaintiffs, instead of the RMB1,100,000 as claimed by the plaintiffs, which was based on the entire sales price of the relevant property unit. As of the date of this prospectus, both the Group and the plaintiffs appealed the decision and the case was pending before the Intermediate People's Court of Huizhou City. Accordingly, there were 82 lawsuits pending before the Daya Bay Court and the Intermediate People's Court of Huizhou City as of the date of this prospectus, with an aggregate amount of the claims of approximately RMB128,500,000, which consisted of approximately RMB87,700,000 for termination of the relevant sales agreements, which represents the aggregate amount of sales prices of the property units plus interests arising from the mortgage loans (if any) by the plaintiffs, and approximately RMB40,800,000 for damages and other miscellaneous fees and expenses. The Group's external PRC counsel is of the view that the likelihood of the courts ruling entirely in favour of the plaintiffs is very low, because: i) there is a lack of factual and legal basis to terminate the relevant the sales agreements between the plaintiffs and the Group, as the Alleged Claims do not constitute valid ground for termination; ii) there is insufficient evidence to prove that the Group marketed and sold Xiangshan Ju as sharing facilities and ancillary resources with Huizhou Dong Yuan, because the relevant sales agreements clearly set out the sales conditions of the relevant property units which do not support the Alleged Claims.

On May 23, 2019, the Market Supervision Administrative Bureau of Huizhou Dayawan Economic and Technology Development District (the "**Daya Bay Administrative Bureau**") imposed an administrative fine of RMB145,000 on the Group by finding that the Group failed to comply with certain provisions of the PRC Advertising Law for making the Alleged Claims to potential customers of Xiangshan Ju. The Group has paid the administrative fine in full as required and filed an application to review of the administrative decision with the Huizhou Market Supervision Administrative Bureau (the "**Huizhou Administrative Bureau**") on June 17, 2019. The Huizhou Administrative Bureau decided on August 1, 2019 to uphold the administrative decision of the Daya Bay Administrative Bureau, primarily based on the determination that the Group's efforts to distinguish Xiangshan Ju from Huizhou Dong Yuan during the pre-sales activities were insufficient. The Group lodged an administrative lawsuit against the Daya Bay Administrative Bureau and the Huizhou Administrative Bureau with the People's Court of Boluo County ("**the Boluo County Court**") on August 21, 2019. As of the date of this prospectus, this administrative lawsuit is pending before the Boluo County Court.

Based on the Group's records, should all purchasers of property units of Xiangshan Ju file lawsuits based on the same claims against the Group the total amount from the termination of all sales agreements for Xiangshan Ju (including the above-mentioned 82 lawsuits and excluding the two that have been settled) would be approximately RMB868,600,000 and the total amount of the estimated damages (including the abovementioned 82 lawsuits and excluding the two that has been settled), if the courts conclude with the same ruling as that by Daya Bay Court (i.e. award plaintiffs with damages amounting to 1.5% of the properties' sales price), is approximately RMB13,000,000. In addition, the Controlling Shareholders have undertaken to indemnify the Company against all losses, liabilities or damages suffered by any member of the Group in respect of and to the extent arising from or relating to the above-mentioned Xiangshan Ju selling and marketing dispute. In consideration of (i) the facts that the Group have made efforts and taken various measures to separate and distinguish Xiangshan Ju from Huizhou Dong Yuan during the pre-sale activities, (ii) the relatively low amount of damages awarded to the plaintiffs by the Daya Bay Court in the lawsuit as mentioned above, which was on appeal, (iii) the fact that the administrative lawsuit regarding the administrative decisions of the Daya Bay Administration Bureau and the Huizhou Administration Bureau is pending before the Boluo County Court as of the date of this prospectus, (iv) the advice from the Group's external PRC legal counsel for these lawsuits that the likelihood of the courts to rule in favor of the plaintiffs' claims in full is very low, and (v) the indemnity undertaking from the Controlling Shareholders, the Group has not made any provision. The Group believes that these lawsuits would not have a material adverse effect on the Group's business, financial condition or result of operations.

Except as disclosed above, during the Relevant Periods and up to the end of the Relevant Periods, neither the Group nor the Company were involved in any litigation, arbitration or administrative proceedings, claims or disputes which had a material adverse effect on the Group's financial condition or results of operation.

39. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Group leases out its investment properties (note 14) under operating lease arrangements with leases negotiated from terms ranging from six to twenty 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			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	—	2,756	7,209	7,997
In the second to fifth years, inclusive	—	21,408	27,035	31,989
Over five years	—	70,076	94,476	100,253
	—	94,240	128,720	140,239

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one 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 31 December 2016, 2017 and 2018, 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	2,669	19,204	28,364
In the second to fifth years, inclusive	2,801	32,356	39,600
	5,470	51,560	67,964

Since the adoption of the IFRS 16, operating leases have been recognised in the combined statements of financial position. For more details, please refer to note 2.3.

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Contracted, but not provided for:				
Property development activities	8,090,821	9,035,011	14,421,385	15,783,185
Acquisition of land use rights	—	262,809	—	151,044
Acquisition of equity interests	2,316,475	1,770,108	2,324,914	4,014,717
Capital contribution for investments in joint ventures and associates	—	24,000	79,692	251,799
	10,407,296	11,091,928	16,825,991	20,200,745

41. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
Mr. Zhang Yuanlin	Controlling Shareholder
Mr. Zhang Guoyin	A family member of the Controlling Shareholder
Mr. Zhang Zhitao	A family member of the Controlling Shareholder
Ms. Wu Chengping	A family member of the Controlling Shareholder
新力科技集團有限公司 ("**Sinic Technology Group Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州市景恒實業發展有限公司 ("**Huizhou Jingheng Industrial Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
江西新力商業管理有限公司 ("**Jiangxi Sinic Business Management Co., Ltd.**")	Company controlled by the Controlling Shareholder
新力物業集團有限公司 ("**Sinic Services Group Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新力置地物業服務有限公司 ("**Huizhou Sinic Property Management Co., Ltd.**")	Company controlled by the Controlling Shareholder
江西有家實業有限公司 ("**Jiangxi Youjia Industrial Co., Ltd.**")	Company controlled by the Controlling Shareholder
新力力創實業有限公司 ("**Sinic Lichuang Industrial Co., Ltd.**")	Company controlled by the Controlling Shareholder
江西夢龍房地產開發有限公司 ("**Jiangxi Menglong Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新力泓悦房地產開發有限公司 ("**Huizhou Sinic Hongyue Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新力力鴻房地產開發有限公司 ("**Huizhou Sinic Lihong Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新力泓豐房地產開發有限公司 ("**Huizhou Sinic Hongfeng Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州力新在悦房地產開發有限公司 ("**Huizhou Lixin Zaiyue Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新力品質房地產開發有限公司 ("**Huizhou Sinic Pinzhi Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新悦力和房地產開發有限公司 ("**Huizhou Xinyue Lihe Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
惠州新力泓軒房地產開發有限公司 ("**Huizhou Sinic Hongxuan Real Estate Development Co., Ltd.**")	Company controlled by the Controlling Shareholder
江西悦璟實業有限公司 ("**Jiangxi Yuejing Industrial Co., Ltd.**")	Company controlled by the Controlling Shareholder
深圳瀚域投資發展有限公司 ("**Shenzhen Hanyu Investment Development Co., Ltd.**")	Joint venture
江西百興房地產投資有限公司 ("**Jiangxi Baixing Real Estate Investment Co., Ltd.**")	Joint venture
鄂州市嘉裕房地產發展有限公司 ("**Ezhou Jiayu Real Estate Development Co., Ltd.**")	Joint venture
德安眾邦置業有限公司 ("**De'an Zhongbang Properties Co., Ltd.**")	Joint venture
江西金越房地產開發有限公司 ("**Jiangxi Jinyue Real Estate Development Co., Ltd.**")	Joint venture

Name of related party	Relationship with the Group
南昌江越房地產開發有限公司 (“**Nanchang Jiangyue Real Estate Development Co., Ltd.**”)	Joint venture
廣州新力坤山投資發展有限公司 (“**Guangzhou Sinic Kunshan Investment Development Co., Ltd.**”)	Joint venture
無錫新坤朗敘置業有限公司 (“**Wuxi Xinkun Langxu Properties Co., Ltd.**”)	Joint venture
江西新越弘嵐房地產開發有限公司 (“**Jiangxi Xinyue Honglan Real Estate Development Co., Ltd.**”)	Joint venture
江西澈越房地產開發有限公司 (“**Jiangxi Cheyue Real Estate Development Co., Ltd.**”)	Joint venture
南昌市地美房地產開發有限公司 (“**Nanchang Dimei Real Estate Development Co., Ltd.**”)	Joint venture
江西東屹置業有限公司 (“**Jiangxi Dongyi Properties Co., Ltd.**”)	Joint venture
南昌和展置業有限公司 (“**Nanchang Hezhan Properties Co., Ltd.**”)	Joint venture
南京金銘新房地產開發有限公司 (“**Nanjing Jinming Real Estate Development Co., Ltd.**”)	Joint venture
蘇州恒信置業有限公司 (“**Suzhou Hengxin Properties Co., Ltd.**”)	Joint venture
淄博錦城房地產開發有限公司 (“**Zibo Jincheng Real Estate Development Co., Ltd.**”)	Joint venture
武漢福瑞德成房地產開發有限公司 (“**Wuhan Furui Decheng Real Estate Development Co., Ltd.**”)	Joint venture
南昌正潤置業有限公司 (“**Nanchang Zhengrun Properties Co., Ltd.**”)	Associate
南昌力洲置業有限公司 (“**Nanchang Lizhou Properties Co., Ltd.**”)	Associate
南昌市威汀置業有限公司 (“**Nanchang Weiting Properties Co., Ltd.**”)	Associate
武漢長信力合置業有限公司 (“**Wuhan Changxin Lihe Properties Co., Ltd.**”)	Associate
上饒市美越房地產開發有限公司 (“**Shangrao Meiyue Real Estate Development Co., Ltd.**”)	Associate
南昌駿越房地產開發有限公司 (“**Nanchang Junyue Real Estate Development Co., Ltd.**”)	Associate
南昌盛都置業有限公司 (“**Nanchang Shengdu Properties Co., Ltd.**”)	Associate
中山市昇盈房地產開發有限公司 (“**Zhongshan Shengying Real Estate Development Co., Ltd.**”)	Associate
清遠天河房地產有限公司 (“**Qingyuan Tianhe Real Estate Co., Ltd.**”)	Associate
南昌建美房地產有限公司 (“**Nanchang Jianmei Real Estate Co., Ltd.**”)	Associate
江西新力慈善基金會 (“**Jiangxi Xinline Charity Foundation**”)	Controlling Shareholder is the chairman of the charity
江西省昌景實業發展有限公司 (“**Jiangxi Changjing Industrial Development Co., Ltd.**”)	Controlling Shareholder has significant influence over the company
江西省第五建設集團有限公司 (“**Jiangxi Fifth Construction Group Co., Ltd.**”)	Company controlled by a family member of the Controlling Shareholder
廣西路港建設集團有限公司 (“**Guangxi Lugang Construction Group Co., Ltd.**”)	Company controlled by a family member of the Controlling Shareholder

Name of related party	Relationship with the Group
江西省豐城市希爾頓置地有限公司 (“**Jiangxi Fengcheng Xi’erdun Property Co., Ltd.**”)	Company controlled by a family member of the Controlling Shareholder
南昌市頂豐投資諮詢有限公司 (“**Nanchang Dinfeng Investment Consulting Co., Ltd.**”)	Company controlled by a family member of the Controlling Shareholder
江西裕仁投資有限公司 (“**Jiangxi Yuren Investment Co., Ltd.**”)	Company controlled by a family member of the Controlling Shareholder

(2) Significant related party transactions

The following transactions were carried out with related parties during the Relevant Periods and the four months ended 30 April 2018:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Advance from related companies:					
Joint ventures	–	683,333	3,035,701	1,687,149	1,352,133
Associates	164,027	1,564,341	402,848	6,331	215,406
Companies controlled by the Controlling Shareholder	739,652	8,482,247	11,251,364	2,353,406	1,842,156
Companies owned by a family member of the Controlling Shareholder	1,076,900	1,051,468	955,887	267,001	556,776
Companies over which the Controlling Shareholder has significant influence	111,202	514	144,385	50,535	40,867
Repayment of advance from related companies:					
Joint ventures	–	–	2,938,152	229,081	670,396
Associates	45,060	72,135	1,682,342	1,382,141	124,372
Companies controlled by the Controlling Shareholder	1,501,500	8,493,045	11,251,364	2,353,406	1,842,156
Companies owned by a family member of the Controlling Shareholder	1,001,753	1,051,468	698,689	161,002	238,758
Companies over which the Controlling Shareholder has significant influence	110,742	75,208	144,385	50,535	40,867
Advance to related companies:					
Joint ventures	339,138	18,874	1,513,638	41,297	1,570,158
Associates	296,098	192,405	533,682	176,647	83,862
Companies controlled by the Controlling Shareholder	3,364,696	14,151,572	8,084,491	2,072,901	2,660,600
Companies owned by a family member of the Controlling Shareholder	729,482	1,263,922	364,303	209,896	941,198
Companies over which the Controlling Shareholder has significant influence	–	110,981	195,339	76,500	35,423
Repayment of advance to related companies:					
Joint ventures	138,000	201,251	558,242	49,383	170,960
Associates	181,803	51,530	354,514	104,477	195,760
Companies controlled by the Controlling Shareholder	1,272,796	13,276,983	8,482,963	2,133,427	2,397,033
Companies owned by a family member of the Controlling Shareholder	73,500	1,779,973	566,464	59,814	278,829
Companies over which the Controlling Shareholder has significant influence	–	80,928	123,932	53,307	16,376

The following transactions were carried out with related parties during the Relevant Periods and the four months ended 30 April 2018 (continued):

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Construction services provided by a company controlled by a family member of the Controlling Shareholder *(note)*	385,810	598,060	1,063,711	329,945	296,326
Miscellaneous purchases from a company controlled by the Controlling Shareholder *(note)*	2,033	9,852	10,402	1,245	1,318
Property management services provided by companies controlled by the Controlling Shareholder *(note)*	17,943	31,794	123,798	20,564	50,308
Management consulting services provided by companies controlled by the Controlling Shareholder *(note)*	—	84,246	151,960	50,653	53,123
Sales to a family member of the Controlling Shareholder *(note)*	—	21,024	32,052	—	19,372
Donation to a charity of which the Controlling Shareholder is the chairman	—	—	3,024	3,024	—

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(3) Other transactions with related parties

i. The Controlling Shareholder and Sinic Technology Group Co., Ltd. have jointly guaranteed certain of the Group's bank and other borrowings up to RMB1,200,000,000 as at 31 December 2017.

ii. The Controlling Shareholder has guaranteed certain of the bank and other borrowings up to RMB20,000,000, RMB1,764,700,000 and RMB860,700,000 as at 31 December 2016 and 2018 and 30 April 2019, respectively.

iii. The Controlling Shareholder and Ms. Wu Chengping have guaranteed certain of the bank and other borrowings up to RMB6,297,500,000, RMB7,805,300,000, RMB6,482,196,000 and RMB8,318,164,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

iv. The Controlling Shareholder, Ms. Wu Chengping and Sinic Technology Group Co., Ltd., have guaranteed certain of the bank and other borrowings up to RMB6,176,659,000 and RMB4,326,493,000, and RMB3,346,064,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

v. Sinic Technology Group Co., Ltd. has guaranteed certain of the bank and other borrowings up to RMB1,493,688,000, RMB1,779,407,000 and RMB1,455,797,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

vi. Sinic Technology Group Co., Ltd. has pledged with deposits of RMB1,620,000,000, RMB1,620,000,000 and RMB1,620,000,000 for certain of the Group's bank and other borrowings up to RMB1,493,688,000, RMB1,529,407,000 and RMB1,455,797,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

vii. The Controlling Shareholder, Ms. Wu Chengping and Wuhan Furui Decheng Real Estate Development Co., Ltd. have guaranteed certain of the bank and other borrowings of up to RMB1,736,000,000 and RMB1,388,800,000 as at 31 December 2018 and 30 April 2019, respectively.

viii. The Group, its Controlling Shareholder, Ms. Wu Chengping, Mr. Shen Linghua, and Ms. Ouyang Hongli have jointly guaranteed certain bank and other borrowings made to Jiangxi Baixing Real Estate Investment Co., Ltd. up to the extent of RMB300,000,000, RMB170,000,000, RMB120,000,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively.

ix. The Group, its Controlling Shareholder and Ms. Wu Chengping have jointly guaranteed certain bank and other borrowings of Sinic Services Group Co., Ltd. to the extent of RMB140,000,000 and RMB140,000,000 as at 31 December 2018 and 30 April 2019, respectively. The abovementioned bank and other borrowings were also secured by the pledges of the Group's assets with aggregate carrying amounts of RMB87,948,000 and RMB87,948,000 as at 31 December 2018 and 30 April 2019, respectively. Further details are included in note 20 to the Historical Financial Information.

x. The Group, its Controlling Shareholder and Ms. Wu Chengping have jointly guaranteed certain bank and other borrowings of Sinic Technology Group Co., Ltd. to the extent of RMB1,650,000,000, RMB1,164,500,000 and RMB1,058,900,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively. Certain amounts of the abovementioned bank and other borrowings up to RMB1,650,000,000, RMB7,650,000,000 and RMB7,650,000,000 were also secured by the pledges of the Group's assets with aggregate carrying amounts of RMB1,937,328,000, RMB1,937,328,000 and RMB1,937,328,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively. Further details are included in note 20 to the Historical Financial Information.

xi. The Group, its Controlling Shareholder and Ms. Wu Chengping have guaranteed certain bank and other borrowings of Huizhou Jingheng Industrial Development Co., Ltd. to the extent of RMB113,000,000 as at 31 December 2017.

xii. The Group, its Controlling Shareholder and Ms. Wu Chengping have jointly guaranteed certain bank and other borrowings of Guangxi Lugang Construction Group Co., Ltd. to the extent of RMB700,000,000 and RMB700,000,000 as at 31 December 2018 and 30 April 2019, respectively. The abovementioned bank and other borrowings were also secured by the pledges of the Group's assets with aggregate carrying amounts of RMB555,568,000 and RMB555,568,000 as at 31 December 2018 and 30 April 2019, respectively. Further details are included in note 20 to the Historical Financial Information. The Group also have pledged 100% of its shares of Jiangsu Zhongyuan Properties to provide guarantee for the abovementioned bank and other borrowings as at 31 December 2018 and 30 April 2019.

xiii. The Group has guaranteed certain bank and other borrowings made to Nanchang Jianmei Real Estate Co., Ltd. up to RMB144,400,000 as at 31 December 2017.

xiv. The Group, Mr. Shen Linghua and Ms. Ouyang Hongli have jointly guaranteed certain bank and other borrowings of Jiangxi Changjing Industrial Development Co., Ltd. to the extent of RMB130,000,000 and RMB110,000,000 as at 31 December 2018 and 30 April 2019, respectively.

xv. The Group, its Controlling Shareholder and Ms. Wu Chengping have guaranteed certain bank and other borrowings of Nanchang Weiting Properties Co., Ltd. to the extent of RMB180,000,000, RMB20,000,000, RMB303,700,000 and RMB303,700,000 as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The Group also have pledged its shares in Nanchang Weiting Properties Co., Ltd. to provide guarantee for the abovementioned bank and other borrowings as at 31 December 2016 and 2017.

xvi. The Group has guaranteed certain bank and other borrowings of Nanchang Shengdu Properties Co., Ltd. to the extent of RMB75,600,000 and RMB75,600,000 as at 31 December 2018 and 30 April 2019, respectively.

xvii. The Group has guaranteed certain bank and other borrowings of Jiangxi Jinyue Real Estate Development Co., Ltd. to the extent of RMB145,992,000 and RMB145,992,000 as at 31 December 2018 and 30 April 2019, respectively.

xviii. The Group has guaranteed certain bank and other borrowings of Qingyuan Tianhe Real Estate Co., Ltd. to the extent of RMB450,000,000 and RMB450,000,000 as at 31 December 2018 and 30 April 2019, respectively. The Group also have pledged its shares in Qingyuan Tianhe Real Estate Co., Ltd. to provide guarantee for the abovementioned bank and other borrowings as at 31 December 2018 and 30 April 2019, respectively.

xix. The Group, its Controlling Shareholder, Ms. Wu Chengping, Mr. Kuang Lin, Ms. Wang Juan, Nanchang Weidin Industrial Co., Ltd. and Xiaochang Ruilin Real Estate Development Co., Ltd. have guaranteed certain bank and other borrowings of Wuhan Furui Decheng Real Estate Development Co., Ltd. to the extent of RMB420,000,000, RMB420,000,000 as at 31 December 2018 and 30 April 2019, respectively.

(4) Outstanding balances with related parties

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Due from related companies:				
Trade-related:				
Companies controlled by the Controlling Shareholder	418	488	502	598
Companies owned by a family member of the Controlling Shareholder	3,696	33,579	27,412	27,066
Due from related companies:				
Non trade-related:				
Joint ventures	201,138	18,761	974,157	2,373,355
Associates	119,880	260,755	439,923	328,025
Companies controlled by the Controlling Shareholder	3,060,527	3,975,797	3,568,932	3,832,499
Companies owned by a family member of the Controlling Shareholder	741,928	195,994	—	662,369
Companies over which the Controlling Shareholder has significant influence	—	30,053	101,460	120,507
Due to related companies:				
Trade-related:				
Companies owned by a family member of the Controlling Shareholders	—	—	32,654	78,568
Due to related companies:				
Non trade-related:				
Joint ventures	—	683,333	780,882	1,889,002
Associates	118,967	1,611,173	362,107	453,141
Companies owned by a family member of the Controlling Shareholder	—	—	224,544	542,562
Companies over which the Controlling Shareholder has significant influence	74,694	—	—	—

Balances with the above related parties were unsecured, non-interest bearing and repayable on demand.

(5) Compensation of key management personnel of the Group

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Short-term employee benefits	1,606	5,131	9,095	3,560
Pension scheme contributions	266	648	755	277
Total compensation paid to key management personnel	1,872	5,779	9,850	3,837

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

42. 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 FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Financial assets included in prepayments and other receivables *(note 23)*	195,723	—	195,723
Due from related companies *(note 41)*	4,127,587	—	4,127,587
Restricted cash *(note 26)*	266,726	—	266,726
Pledged deposits *(note 26)*	67,052	—	67,052
Cash and cash equivalents *(note 26)*	699,941	—	699,941
	5,357,029	—	5,357,029

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade and bills payables *(note 27)*	1,571,875	—	1,571,875
Due to related companies *(note 41)*	193,661	—	193,661
Financial liabilities included in other payables and accruals *(note 28)*	1,691,754	—	1,691,754
Financial liabilities at FVTPL *(note 31)*	—	935	935
Interest-bearing bank and other borrowings *(note 30)*	6,437,500	—	6,437,500
	9,894,790	935	9,895,725

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Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Long-term debt investments *(note 18)*	740,340	—	740,340
Financial assets included in prepayments and other receivables *(note 23)*	448,675	—	448,675
Due from related companies *(note 41)*	4,515,427	—	4,515,427
Restricted cash *(note 26)*	1,172,860	—	1,172,860
Pledged deposits *(note 26)*	233,302	—	233,302
Cash and cash equivalents *(note 26)*	2,876,901	—	2,876,901
	9,987,505	—	9,987,505

Financial liabilities

	Financial assets atamortised cost	Financial liabilities at FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade and bills payables *(note 27)*	2,465,463	—	2,465,463
Due to related companies *(note 41)*	2,294,506	—	2,294,506
Financial liabilities included in other payables and accruals *(note 28)*	1,622,820	—	1,622,820
Financial liabilities at FVTPL *(note 31)*	—	861	861
Interest-bearing bank and other borrowings *(note 30)*	16,675,647	—	16,675,647
	23,058,436	861	23,059,297

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Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Long-term debt investments *(note 18)*	879,884	—	879,884
Financial assets included in prepayments and other receivables *(note 23)*	1,015,338	—	1,015,338
Financial assets at FVTPL *(note 25)*	—	64,867	64,867
Due from related companies *(note 41)*	5,112,386	—	5,112,386
Restricted cash *(note 26)*	2,623,147	—	2,623,147
Pledged deposits *(note 26)*	358,899	—	358,899
Cash and cash equivalents *(note 26)*	7,083,520	—	7,083,520
	17,073,174	64,867	17,138,041

Financial liabilities

	Financial assets at amortised cost	Financial liabilities at FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade and bills payables *(note 27)*	3,142,262	—	3,142,262
Due to related companies *(note 41)*	1,400,187	—	1,400,187
Financial liabilities included in other payables and accruals *(note 28)*	3,595,857	—	3,595,857
Financial liabilities at FVTPL *(note 31)*	—	619	619
Interest-bearing bank and other borrowings *(note 30)*	21,510,704	—	21,510,704
Corporate bonds *(note 32)*	592,070	—	592,070
	30,241,080	619	30,241,699

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Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	(RMB'000)	*RMB'000)*	*RMB'000)*
Long-term debt investments *(note 18)*	1,013,077	—	1,013,077
Trade receivables *(note 22)*	2,403	—	2,403
Financial assets included in prepayments and other receivables *(note 23)*	1,098,598	—	1,098,598
Financial assets at FVTPL *(note 25)*	—	44,067	44,067
Due from related companies *(note 41)*	7,344,419	—	7,344,419
Restricted cash *(note 26)*	3,468,422	—	3,468,422
Pledged deposits *(note 26)*	754,124	—	754,124
Cash and cash equivalents *(note 26)*	5,387,137	—	5,387,137
	19,068,180	44,067	19,112,247

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at FVTPL	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade and bills payables *(note 27)*	3,826,234	—	3,826,234
Due to related companies *(note 41)*	2,963,273	—	2,963,273
Financial liabilities included in other payables and accruals *(note 28)*	3,066,668	—	3,066,668
Financial liabilities at FVTPL *(note 31)*	—	519	519
Lease liabilities	43,375	—	43,375
Interest-bearing bank and other borrowings *(note 30)*	25,445,548	—	25,445,548
Corporate bonds *(note 32)*	1,023,830	—	1,023,830
	36,368,928	519	36,369,447

43. 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	30 April 2019	31 December 2016	31 December 2017	31 December 2018	30 April 2019
	(RMB'000)	*RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial assets								
Financial assets at FVTPL . . .	—	—	64,867	44,067	—	—	64,867	44,067
Financial liabilities								
Interest-bearing bank and other borrowings *(note 30)*	6,437,500	16,675,647	1,510,704	25,445,548	6,402,890	16,630,408	21,519,275	25,449,750
Corporate bonds *(note 32)* . . .	—	—	592,070	1,023,830	—	—	590,492	1,011,137
Financial liabilities at FVTPL .	935	861	619	519	935	861	619	519

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, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 and 30 April 2019 was assessed to be insignificant.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liabilities is categorised within level 3 of the fair value hierarchy.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

During the 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.

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 and 30 April 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial liabilities at FVTPL	Scenario based method	Discount rate	2016:15%	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB31,000/RMB33,000
			2017: 15%	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB23,000/RMB24,000
			2018: 15%	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB13,000/RMB13,000
			20190430: 15%	5% increase/decrease in discount rate would result in a decrease/increase in fair value by RMB10,000/RMB10,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Financial assets at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
As at 31 December 2016	—	—	—	—
As at 31 December 2017	—	—	—	—
As at 31 December 2018	64,867	—	—	64,867
As at 30 April 2019	44,067	—	—	44,067

Liabilities measured at fair value:

Financial liabilities at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
As at 31 December 2016	—	—	935	935
As at 31 December 2017	—	—	861	861
As at 31 December 2018	—	—	619	619
As at 30 April 2019	—	—	519	519

Liabilities for which fair values are disclosed:

Interest-bearing bank and other borrowings

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
As at 31 December 2016	—	6,402,890	—	6,402,890
As at 31 December 2017	—	16,630,408	—	16,630,408
As at 31 December 2018	—	21,519,275	—	21,519,275
As at 30 April 2019	—	25,449,750	—	25,449,750

Corporate bonds

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
As at 31 December 2018	590,492	—	—	590,492
As at 30 April 2019	1,011,137	—	—	1,011,137

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, other receivables, trade payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as lease liabilities, interest-bearing bank and other borrowings, financial assets at FVTPL, financial liabilities at FVTPL, 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, foreign currency risk, credit risk, and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 30. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately nil, RMB19,937,000, RMB36,654,000 and RMB6,686,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from the Group's interest-bearing bank and other borrowings. The currency denominated in these borrowings is HK$. There is no significant impact on foreign currency risk.

	Increase/ (decrease) in HK$ rate	**Increase/ (decrease) in net assets**
	%	*(RMB'000)*
31 December 2016		
If the RMB weakens against the HK$	-5%	—
If the RMB strengthens against the HK$	+5%	—
31 December 2017		
If the RMB weakens against the HK$	-5%	(95,276)
If the RMB strengthens against the HK$	+5%	95,276
31 December 2018		
If the RMB weakens against the HK$	-5%	(104,601)
If the RMB strengthens against the HK$	+5%	104,601
30 April 2019		
If the RMB weakens against the HK$	-5%	(103,923)
If the RMB strengthens against the HK$	+5%	103,923

(c) 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

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

31 December 2016

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial assets included in prepayments and other receivables — Normal**	195,723	—	—	—	195,723
Restricted cash	266,726	—	—	—	266,726
Pledged deposits	67,052	—	—	—	67,052
Cash and cash equivalents	699,941	—	—	—	699,941
	1,229,442	—	—	—	1,229,442

31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Long-term debt investments	740,340	—	—	—	740,340
Financial assets included in prepayments and other receivables Normal**	448,675	—	—	—	448,675
Restricted cash	1,172,860	—	—	—	1,172,860
Pledged deposits	233,302	—	—	—	233,302
Cash and cash equivalents	2,876,901	—	—	—	2,876,901
	5,472,078	—	—	—	5,472,078

31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Long-term debt investments.	879,884	—	—	—	879,884
Financial assets included in prepayments and other receivables Normal**	1,015,338	—	—	—	1,015,338
Restricted cash.	2,623,147	—	—	—	2,623,147
Pledged deposits	358,899	—	—	—	358,899
Cash and cash equivalents	7,083,520	—	—	—	7,083,520
	11,960,788	—	—	—	11,960,788

30 April 2019

	ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term debt investments	1,013,077	—	—	—	1,013,077
Trade receivables* Financial assets included in prepayments and other receivables —	—				2,403
Normal**	1,098,598	——	——	2,403—	1,098,598
Restricted cash	3,468,422	—	—	—	3,468,422
Pledged deposits	754,124	—	—	—	754,124
Cash and cash equivalents	5,387,137	—	—	—	5,387,137
	11,721,358	—	—	2,403	11,723,761

* 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 the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(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. 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	1,571,875	—	—	—	1,571,875
Other payables	1,753,417	—	—	—	1,753,417
Due to related companies	193,661	—	—	—	193,661
Financial liabilities at FVTPL	—	—	—	935	935
Interest-bearing bank and other borrowings	—	466,099	3,019,471	3,715,520	7,201,090
	3,518,953	466,099	3,019,471	3,716,455	10,720,978
31 December 2017					
Trade and bills payables	2,465,463	—	—	—	2,465,463
Other payables	1,793,657	—	—	—	1,793,657
Due to related companies	2,294,506	—	—	—	2,294,506
Financial liabilities at FVTPL	—	—	—	861	861
Interest-bearing bank and other borrowings	—	1,319,224	9,304,948	7,834,068	18,458,240
	6,553,626	1,319,224	9,304,948	7,834,929	25,012,727
31 December 2018					
Trade and bills payables	3,142,262	—	—	—	3,142,262
Other payables	3,898,578	—	—	—	3,898,578
Due to related companies	1,400,187	—	—	—	1,400,187
Financial liabilities at FVTPL	—	—	—	619	619
Interest-bearing bank and other borrowings	—	2,954,475	7,870,531	13,527,630	24,352,636
Corporate bonds	—	—	45,427	679,854	725,281
	8,441,027	2,954,475	7,915,958	14,208,103	33,519,563
30 April 2019					
Trade and bills payables	3,826,234	—	—	—	3,826,234
Other payables	3,421,133	—	—	—	3,421,133
Due to related companies	2,963,273	—	—	—	2,963,273
Lease liabilities	—	6,309	16,537	22,827	45,673
Financial liabilities at FVTPL	—	—	—	519	519
Interest-bearing bank and other borrowings	—	1,171,604	9,832,830	17,701,084	28,705,518
Corporate bonds	—	—	76,702	1,159,404	1,236,106
	10,210,640	1,177,913	9,926,069	18,883,834	40,198,456

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, trade payables, other payables and accruals, amounts due to related companies, lease liabilities, interest-bearing bank and other borrowings and corporate bonds, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of each of the Relevant Periods was as follows:

	31 December			30 April
	2016	2017	2018	2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade and bills payables	1,571,875	2,465,463	3,142,262	3,826,234
Other payables and accruals	1,753,417	1,793,657	3,898,578	3,421,133
Due to related companies	193,661	2,294,506	1,400,187	2,963,273
Lease liabilities Interest-bearing bank	—	—	—	43,375
and other borrowings	6,437,500	16,675,647	21,510,704	25,455,548
Corporate bonds	—	—	592,070	1,023,830
Less: Cash and cash equivalents	(699,941)	(2,876,901)	(7,083,520)	(5,387,137)
Net debt	9,256,512	20,352,372	23,460,281	31,346,256
Equity attributable to owners of the parent	2,574,123	3,924,002	4,243,624	4,529,470
Capital and net debt	11,830,635	24,276,374	27,703,905	35,875,726
Gearing ratio	78%	84%	85%	87%

45. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests were set out below:

31 December 2016

	Percentage of equity interest held by non-controlling interests	Profit for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*(RMB'000)*	*(RMB'000)*
Nanchang Shuntai Properties	30	38,844	59,024
Nanchang Tianju Industrial	55	16,004	9,507
Jiangxi Hengwang Properties	49	14,494	38,203

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanchang Shuntai Properties	**Nanchang Tianju Industrial**	**Jiangxi Hengwang Properties**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	779,576	283,766	287,265
Total expenses	(599,843)	(245,101)	(232,326)
Income tax expense	(50,253)	(11,958)	(25,359)
Profit and total comprehensive income for the year	129,480	26,707	29,580
Attributable to:			
Owners of the parent	129,480	23,784	29,580
Non-controlling interests	—	2,923	—
	129,480	26,707	29,580
Current assets	1,530,486	638,095	1,107,207
Non-current assets	531,064	11,965	38,913
Current liabilities	1,864,803)	(636,315)	(1,068,154)
Non-current liabilities	—	—	—
	196,747	13,745	77,966
Attributable to:			
Owners of the parent	196,747	9,418	77,966
Non-controlling interests	—	4,327	—
	196,747	13,745	77,966

	Nanchang Shuntai Properties	**Nanchang Tianju Industrial**	**Jiangxi Hengwang Properties**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash flows generated from operating activities	602,795	15,931	303,664
Net cash flows used in investing activities	(140,953)	(71)	(360)
Net cash flows (used in)/generated from financing activities	(457,516)	3,512	(176,692)
Net increase in cash and cash equivalents	4,326	19,372	126,612

31 December 2017

	Percentage of equity interest held by non-controlling interests	Profit for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*(RMB'000)*	*(RMB'000)*
Nanchang Shuntai Properties	30	93,630	152,654
Nanchang Tianju Industrial	55	40,847	50,354
Jiangxi Hengwang Properties	49	38,310	76,515

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanchang Shuntai Properties	Nanchang Tianju Industrial	Jiangxi Hengwang Properties
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	1,180,264	422,799	355,469
Total expenses	(616,516)	(328,360)	(223,643)
Income tax expense	(251,648)	(25,789)	(53,642)
Profit and total comprehensive income for the year	312,100	68,650	78,184
Attributable to:			
Owners of the parent	312,100	61,785	78,184
Non-controlling interests	—	6,865	—
	312,100	68,650	78,184
Current assets	2,306,642	855,418	1,411,515
Non-current assets	531,049	18,359	60,620
Current liabilities	(1,388,845)	(791,382)	(1,315,982)
Non-current liabilities	(940,000)	—	—
	508,846	82,395	156,153

	Nanchang Shuntai Properties	Nanchang Tianju Industrial	Jiangxi Hengwang Properties
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Attributable to:			
Owners of the parent	508,846	71,203	156,153
Non-controlling interests	—	11,192	—
	508,846	82,395	156,153
Net cash flows generated from operating activities	296	442,483	360,905
Net cash flows used in investing activities	(370)	(75)	(70)
Net cash flows used in financing activities	(1,988)	(459,700)	(494,677)
Net decrease in cash and cash equivalents	(2,062)	(17,292)	(133,842)

31 December 2018

	Percentage of equity interest held by non-controlling interests	Profit for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*(RMB'000)*	*(RMB'000)*
Jiangxi Hengwang Properties	49	94,287	170,802

The following table illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Jiangxi Hengwang Properties
	(RMB'000)
Revenue	761,726
Total expenses	(427,866)
Income tax expense	(141,438)
Profit and total comprehensive income for the year	192,422
Attributable to:	
Owners of the parent	192,422
Non-controlling interests	—
	192,422
Current assets	1,110,308
Non-current assets	41,929

	Jiangxi Hengwang Properties
	(RMB'000)
Current liabilities	(803,661)
Non-current liabilities	—
	348,576
Attributable to:	
Owners of the parent	348,576
Non-controlling interests	—
	348,576
Net cash flows used in operating activities	(104,916)
Net cash flows used in investing activities	(366)
Net cash flows generated from financing activities	105,883
Net increase in cash and cash equivalents	601

30 April 2019

	Percentage of equity interest held by non-controlling interests	Profit for the period allocated to non-controlling interests	
	%	*(RMB'000)*	*(RMB'000)*
Nanchang Tianju Industrial	40	42,845	76,166

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Nanchang Tianju Industrial
	(RMB'000)
Revenue	271,747
Total expenses	(171,791)
Income tax expense	(28,014)
Profit and total comprehensive income for the period	71,942
Attributable to:	
Owners of the parent	64,727
Non-controlling interests	7,215
	71,942

	Nanchang Tianju Industrial
	(RMB'000)
Current assets	876,924
Non-current assets	11,012
Current liabilities	(697,522)
Non-current liabilities	—
	190,414
Attributable to:	
Owners of the parent	190,414
Non-controlling interests	—
	190,414
Net cash flows used in operating activities	(65,815)
Net cash flows generated from financing activities	62,471
Net decrease in cash and cash equivalents	(3,344)

46. EVENTS AFTER THE REPORTING PERIOD

On 26 August 2019, the Company issued senior notes with a principal amount of US$87,000,000 due in 2020. The senior notes bear interest at 12.5% per annum which is payable quarterly in arrears. The repayment date of the senior notes is 26 February 2020. At any time prior to maturity, the Company may at its option redeem the senior notes, at a predetermined redemption price.

On 9 October 2019, the Company issued senior notes with a principal amount of US$82,940,000 due in 2020. The senior notes bear interest at 12.5% per annum which is payable quarterly in arrears. The original repayment date of the senior notes is 26 February 2020. At any time prior to maturity, the Company may at its option redeem the senior notes, at a predetermined redemption price.

47. 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 30 April 2019.

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