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

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



JY GRANDMARK HOLDINGS LIMITED
景業名邦集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2231)

US\$155,000,000 7.5% SENIOR NOTES DUE 2022
(the “Notes”, Stock Code: 40593)

PUBLICATION OF THE INFORMATION 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 information memorandum dated 2 February 2021 (the “**Information Memorandum**”) appended herein in relation to the issuance of the Notes. As disclosed in the Information 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 Information Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Information 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 Information Memorandum.

By Order of the Board
JY Grandmark Holdings Limited
Chan Sze Ming Michael
Chairman

Hong Kong, 9 February 2021

As at the date of this announcement, the Board comprises Mr. Chan Sze Ming Michael, Mr. Liu Huaxi, Ms. Zheng Catherine Wei Hong, Mr. Wu Xinping, Mr. Xue Shuangyou and Ms. Wei Miaochang as executive Directors, Mr. Ma Ching Nam, CStJ, J.P., Mr. Leong Chong and Mr. Wu William Wai Leung 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 disclaimer applies to the attached document following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (the "EU Prospectus Regulation"). The following offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area ("EEA") and the United Kingdom ("UK") will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

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

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

Prohibition of Sales to United Kingdom Retail Investors – The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (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 (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 the Insurance Distribution Directive, 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 the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers (as defined below) 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 Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited and Jinghui Capital Limited (the "Initial Purchasers"), any person who controls them or any director, officer, employee or agent of them 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.

US\$17,500,000



JY GRANDMARK HOLDINGS LIMITED

景業名邦集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

7.5% SENIOR NOTES DUE 2022 ISSUE PRICE: 100%

Our 7.5% Senior Notes due 2022 (the “New Notes”) will bear interest at the rate of 7.5% per annum payable in arrears on August 8, 2021 and February 7, 2022 and will mature on February 7, 2022.

The New Notes are senior obligations of JY Grandmark Holdings Limited (景業名邦集團控股有限公司) (the “Company”) guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the New Notes.”

At any time and from time to time prior to February 7, 2022, we may redeem up to 35% of the aggregate principal amount of the New 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 107.5% of the principal amount of the New Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the New Notes, in whole but not in part, at any time prior to February 7, 2022 at a redemption price equal to 100% of the principal amount of the New 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 New Notes (the “Indenture”)), we must make an offer to repurchase all New 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 New Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes; (2) 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); (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Description of the New Notes).

For a more detailed description of the New Notes. See “Description of the New Notes.”

Investing in the New Notes involves risks. Furthermore, investors should be aware that the New 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 11 and particularly pages 34-44 for risks relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.

We are concurrently conducting an exchange offer for our outstanding 2021 Notes (the “Concurrent Exchange Offer”). Pursuant to the Concurrent Exchange Offer, we expect to issue additional New Notes (the “Exchange Notes”). Any Exchange Notes issued will have the same terms as and form a single class with the New Notes issued in this offering. See “Summary – Recent Development – Concurrent Offer to Exchange.” Upon completion of the Concurrent Exchange Offer, we expect to issue US\$137,500,000 in principal amount of the Exchange Notes. The aggregate principal amount of all New Notes to be issued under this issuance and the Concurrent Exchange Offer will be will be US\$155,000,000.

Application will be made to The Stock Exchange of Hong Kong Limited (the “SEHK” or “Hong Kong Stock Exchange”) for the listing of, and permission to deal in the New Notes (as defined herein) by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (“Professional Investors”) only. **This offering memorandum is for distribution to Professional Investors only.**

Notice to Hong Kong investors: The Company confirms that the New Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Company confirms that the New 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 New Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the New 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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “U.S. Securities Act”), and may not be offered or sold within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes are being offered and sold by the Initial Purchaser only outside the United States in compliance with Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see “Transfer Restrictions.”

It is expected that delivery of the New Notes will be made on or about February 8, 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.

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

Haitong International

Joint Bookrunners and Joint Lead Managers

HSBC

The Bank of East Asia, Limited

Jinghui Capital

The date of this information memorandum is February 2, 2021

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY	1	MANAGEMENT	144
RISK FACTORS	11	PRINCIPAL SHAREHOLDERS	151
USE OF PROCEEDS	45	RELATED PARTY TRANSACTIONS	152
EXCHANGE RATE INFORMATION	46	DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS	153
CAPITALIZATION AND INDEBTEDNESS ..	48	DESCRIPTION OF THE NEW NOTES	157
SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA	49	TAXATION	221
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	51	PLAN OF DISTRIBUTION	224
CORPORATE STRUCTURE	78	TRANSFER RESTRICTIONS	229
BUSINESS	80	LEGAL MATTERS	231
REGULATION	126	INDEPENDENT AUDITOR	231
		GENERAL INFORMATION	232
		INDEX TO FINANCIAL INFORMATION	F-1

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129. This offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area and in the United Kingdom will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

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

Prohibition of Sales to EEA Retail Investors – The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID

II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to United Kingdom Retail Investors – The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (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 (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 the Insurance Distribution Directive, 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 the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New 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 New 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, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED APPOINTED AND ACTING IN THE CAPACITY AS STABILIZATION MANAGERS OR ANY PERSON ACTING FOR THEM (THE “STABILIZATION MANAGERS”), MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF 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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees that is material in the context of the issue and offering of the New Notes; (ii) the statements contained in this 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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the New Notes, make this 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 New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

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

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

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

No representation or warranty, express or implied, is made or given by Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited and Jinghui Capital Limited (the “**Initial Purchasers**”), China Construction Bank (Asia) Corporation Limited, as trustee (the “**Trustee**”), as paying agent, transfer agent and registrar (collectively, the “**Agents**”) 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. None of the Initial Purchasers, the Trustee and the Agents has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee and the Agents accepts any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers, the Trustee, the Agents or on their behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the New Notes. The Initial Purchasers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

Data Protection

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

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Issuer in order for an investment in the New Notes to continue or to enable the New Notes to be

redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the New Notes or to redeem the New Notes.

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to JY Grandmark Holdings Limited (景業名邦集團控股有限公司) itself and its consolidated subsidiaries, as the context requires. In this offering memorandum, references to the “Board” or “Board of Directors” refer to the board of directors of the Company.

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

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

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

References to “BVI” in this offering memorandum are to the British Virgin Islands.

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which differ in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”) and certain other jurisdictions. Unless the context otherwise requires, references to “2017”, “2018” and “2019” in this offering memorandum are to our financial years ended December 31, 2017, 2018 and 2019, respectively. References to “the first half of 2019” and “the first half of 2020” are to our financial period ended June 30, 2019 and 2020, 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 “CBRC” or “CBIRC” are to, China Banking Regulatory Commission (中國銀行業監督管理委員會), currently consolidated into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

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

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

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

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

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

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

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

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

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

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. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

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

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and

some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled “Risk Factors” in this offering memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We have been advised by our Cayman Islands legal adviser, Conyers Dill & Pearman, that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in a 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 been advised by our British Virgin Islands legal adviser, Conyers Dill & Pearman, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in a court of the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence

relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands; and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

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

- (i) was obtained by fraud;
- (ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (iii) is contrary to public policy or natural justice in Hong Kong;
- (iv) is based on foreign penal, revenue or other public law; or
- (v) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong).

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

GLOSSARY OF TECHNICAL TERMS

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

average selling price or ASP.....	average selling price on a salable GFA basis, unless otherwise stated
CAGR	compound annual growth rate
GFA	gross floor area
LAT	land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)
mu (畝)	a unit of land measurement in the PRC. One mu is approximately 666.7 sq.m.
RevPAR.....	revenue per available room, that is the room revenue of a hotel (including related service charges) during a period divided by the Total Available Room Nights of such hotel during the same period
sq.m.	square meters
Total Available Room Nights	all room nights available for sale excluding those under renovation
Urban Renewal Policy	Urban Renewal Policy (城市更新改造政策) refers to the reform of old factories, old villages and old towns. Please see “Regulation – Regulations on Urban Renewal Policy” for details of the policy

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the New 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 property developer, operator and property management service provider based in the PRC and primarily offer residential properties in Guangdong and Hainan provinces. We have land resources in Guangdong, Hainan, Yunnan and Hunan provinces for our future development. We position ourselves as an “Eco-friendly and People-oriented Property Developer” (生態人文地產發展商), leveraging the natural resources, distinctive landscapes and features as well as rich culture of our selected project sites to develop homes and communities that we consider to be truly livable for our buyers. Ever since our incorporation in 2013, this positioning has been clear and we believe it is what differentiates our Group from other property developers in the PRC. As a young member of the industry, we had 11 completed project phases, six project phases under development and four of which had commenced pre-sale activities as of June 30, 2020, and held 15 project phases for our future development as of the same date. Our first project JY Lychee Town was awarded Green Residential Area in Guangdong Province* (廣東省綠色住區) by Guangdong Province Real Estate Industry Association* (廣東省房地產行業協會) in 2019. Our JY Gaoligong Town was awarded “Yang Meng” Quality Project* (羊盟好項目) by Yangcheng Design Alliance, Guangzhou City Space Design Association* (羊城設計聯盟,廣州市空間設計協會) in 2018.

We mainly target home upgraders or purchasers looking for a second home or a vacation home, especially those who value a home in tranquil environment while still located in proximity to first-tier cities for convenience. As the consumption power of the PRC residents increases, our target customers have placed increasing importance to the quality of life and lifestyle that real properties bring about as well as the livability of the neighborhood in selecting their new homes. Meanwhile, high speed rail and highway network in the PRC are facilitating working and living across districts and expanding the “one-hour living circle” of provincial capital cities to cover their surrounding satellite towns. We believe that the combined effect of these development trends has fostered urbanization, and therefore, growth in the property markets of such satellite towns. In terms of geographical market, our strategy is to focus on areas covered by China’s national development strategies, in particular, the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區) and areas covered by the Belt and Road Initiative (一帶一路) within mainland China.

In line with our positioning, we select our project sites strategically, with priority for places with iconic natural resources. For example, our first property project, JY Lychee Town (景業荔都), is located next to woods, providing mountainous landscape in the city, local fresh produces and clean air which are all valued qualities sought after by urban dwellers; our JY Hot Spring Villas (景業龍泉灣) is situated at a famous hot spring area in Conghua, Guangzhou, for which we built a series of low-rise houses targeting vacation homebuyers and a hot spring resort which we operate; and certain phases of our JY Clearwater Bay No. 3 (景業清水灣3號) are located in proximity to the coastline or golf courses with rich greenery. Our JY Gaoligong Town (景業高黎貢小鎮) is located in hot spring geological area in Yunnan, surrounded by mountainous landscape, and our JY Maofengshan Project (景業帽峰山項目) is close to Maofengshan Forest Park. Recently, we have expanded our product portfolio into developing residential properties catering to the needs of first homebuyers, including JY Donghuzhou Haoyuan (景業東湖洲豪園) in Nansha, Guangzhou, JY Grand Garden (景業雍景園) in Qingyuan, Guangdong and JY Mountain Lake Gulf (景業山湖灣) in Zhuzhou, Hunan.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our property development and sales business was RMB783.4 million, RMB1,245.8 million, RMB2,290.3 million (US\$324.2 million) and RMB884.7 million (US\$125.2 million), respectively, and the gross profit margin of our property development and sales business was 36.4%, 40.4%, 49.1% and 45.3% , respectively. As of June 30, 2020, we had a property portfolio of 32 property project phases in 10 locations with an aggregate GFA attributable to us of approximately 3.9 million sq.m., comprising completed properties available for sale or lease with an aggregate GFA of approximately 0.2 million sq.m., properties under development with an aggregate GFA of approximately 0.8 million sq.m. and properties held for future development with an aggregate GFA of approximately 2.9 million sq.m.

We endeavor to be a “360° Asset and Lifestyle Service Provider” (360°資產生活服務商) with an aim to providing all-round convenient-living services to property owners. We provide property management services to our residents and plan to provide leisure and well-being services with the development of specialty residential products such as our JY Well-being Valley in Lingao, Hainan. Moreover, we operate several hotels, including our hot spring resort as part of our JY Hot Spring Villas project and our Just Stay Hotel in Panyu, Guangzhou. We also have certain commercial properties in Panyu for investment and have acquired certain commercial properties held for sale in Zhongshan. We may retain the office and shop premises in our projects for leasing in the future.

OUR STRENGTHS

We believe our primary competitive strengths are:

- ability to identify and acquire strategically located land reserves and develop diverse residential properties leveraging distinctive land features;
- flexible means to acquire desirable project sites;
- stably growing business and financial performance;
- quality control and cost efficiency by meticulous project management; and
- experienced and dedicated management team enabling the successful development of our business.

OUR STRATEGIES

We plan to implement the following strategies:

- Enhance our presence in existing markets and strategically develop into selected markets;
- Further develop our brand as a “360° Asset and Lifestyle Service Provider (360°資產生活服務商);”
- Maintain our diversified land acquisition strategies to capture profitable opportunities;
- Continue to improve our customer-oriented product offerings and enhance our brand recognition and customer loyalty;
- Adopt a balanced and systematic approach to achieving sustainable and profitable future growth; and
- Adhere to prudent financial policies and proactive management of our capital structure.

RECENT DEVELOPMENT

The Recent COVID-19 Outbreak

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness in the city of Wuhan. They quickly determined that it was a coronavirus, and that it was rapidly spreading through and outside of Wuhan. Several cities in China have been under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious novel coronavirus. 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. To mitigate the negative impact on our property sales business, we proactively launched online sales and promoted our properties through a number of social media platforms. Our hotel operations were also affected by the COVID-19 outbreak, but we have since resumed the operations in Just Stay Resort in early April. The coronavirus outbreak poses potential risks to our business operation and financial condition. See “Risk Factors – Risks Relating to Doing Business in the PRC – The COVID-19 pandemic has adversely affected, and may continue to adversely affect, the PRC economy and our business operations.”

Land Acquisition

On July 14, 2020, Guangzhou Yinong Enterprise Co., Ltd. (廣州意濃實業有限公司) (“Guangzhou Yinong”), an indirect wholly owned subsidiary of the Company, successfully acquired 51% of equity interest in a land parcel located in Kengbei Village in Zengcheng, Guangzhou, with a total GFA of 96,000 sq.m. On December 11, 2020, Guangzhou Yinong has successfully bid for a land parcel on the west side of Xincheng Avenue, Shitan Town, Zengcheng District, Guangzhou, with an approximate site area of 26,939 sq.m.

On December 22, 2020, Jingmao Holdings (HK) Ltd., an indirect non-wholly owned subsidiary of the Company, successfully bid for a land parcel located in Liuhe District, Nanjing, with a site area of approximately 49,989 sq.m.

Syndicated Loan Agreement

On December 29, 2020, we as the borrower, Hang Seng Bank Limited as the facility agent and mandated lead arranger and certain other financial institutional as lenders, entered into a facilities agreement in the aggregate principal amount of HK\$734,000,000 for a term of 36 months subject to terms and conditions set out therein. We subsequently paid off an aggregate principal amount of approximately HK\$683.3 million of term loan facilities with Hang Seng Bank Limited, Chong Hing Bank Limited, and the Bank of East Asia, Limited.

Concurrent Offer to Exchange

On January 25, 2021, the Company commenced a concurrent offer to exchange any and all of its outstanding 7.5% senior notes due 2021 upon the terms and subject to the conditions set forth in the exchange offer memorandum dated January 25, 2021. The Concurrent Exchange Offer expired at 4:00 p.m., London time, on February 1, 2021. As of the expiration time, US\$137,500,000 of the 7.5% senior notes due 2021, representing approximately 91.67% of the total aggregate principal amount of such notes outstanding, have been validly tendered for exchange and accepted pursuant to the Concurrent Exchange Offer. Upon completion of the Concurrent Exchange Offer, we expect to issue US\$137,500,000 in principal amount of the Exchange Notes.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on November 2, 2018, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since December 5, 2019. Our principal place of business in Hong Kong is at Suites 3008-10, 30/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our head office in the PRC is at JY Grandmark Building, 198 Guanjing Road, Nancun Town, Panyu District, Guangzhou City, Guangdong Province, the PRC. Our registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.jygrandmark.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 New Notes.”

Issuer	JY Grandmark Holdings Limited (景業名邦集團控股有限公司).
Notes Offered	US\$17,500,000 aggregate principal amount of 7.5% Senior Notes due 2022 (the “New Notes”).
Offering Price.....	100% of the principal amount of the New Notes.
Original Issue Date	February 8, 2021.
Maturity Date	February 7, 2022.
Interest.....	The New Notes will bear interest from (and including) February 8, 2021 at the rate of 7.5% per annum, payable in arrears.
Interest Payment Dates	August 8, 2021 and February 7, 2022.
Ranking of the New Notes.....	The New Notes: <ul style="list-style-type: none">• 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 New Notes;• rank at least <i>pari passu</i> 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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this offering memorandum;• are effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantor and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and• are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Subsidiary Guarantees and JV
Subsidiary Guarantees.....

Each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes; *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the New 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 Jingye Holdings Limited and Jingye Holdings (HK) Limited (collectively, the “Initial Subsidiary Guarantors”). Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “Initial Other Non-Guarantor Subsidiaries”) nor those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “New Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 25% 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 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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Use of Proceeds.....	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\$17.5 million, which we plan to use to acquire or develop property projects, refinance existing indebtedness and for general corporate purposes. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.
Optional Redemption.....	At any time prior to February 7, 2022, the Company may, at its option, redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to February 7, 2022, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the New 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 107.5% of the principal amount of the New 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 New Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Change of Control Triggering Event.. Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding New Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (if any) to (but not including) the Offer to Purchase Payment Date.

Redemption for Taxation Reasons Subject to certain exceptions and as more fully described herein, the New Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the New Notes – Redemption for Taxation Reasons."

Covenants..... The New Notes and the Indenture governing the New 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 shares or 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 New Notes – Certain Covenants.”

Transfer Restrictions The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”

Form, Denomination and Registration..... The New Notes will be issued only in fully registered form without coupons, in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.

Book-Entry Only..... The New 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 New Notes – Book-Entry; Delivery and Form.”

Delivery of the New Notes The Company expects to make delivery of the New Notes against payment in same-day funds on or about February 8, 2021, which the Company expects will be the fourth business day following the date of the offering memorandum referred to as “T+4.” You should note that initial trading of the New Notes may be affected by the “T+4” settlement. See “Plan of Distribution.”

Trustee China Construction Bank (Asia) Corporation Limited.

Paying Agent, Transfer Agent and Registrar..... China Construction Bank (Asia) Corporation Limited.

Listing and Trading..... Application will be made to the Hong Kong Stock Exchange for the listing of the New Notes by way of debt issues to Professional Investors only.

Security Codes.....	ISIN	Common Code
	XS2291801269	229180126

Governing Law The New 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 New Notes, see “Risk Factors.”

Though there are references to “Rating Decline” in the “Description of the New Notes”, investors should note that the New Notes are not rated as at the time of this Offering Memorandum and the Original Issue Date.

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 financial position data as of December 31, 2017, 2018 and 2019 and June 30, 2020 set forth below (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our historical financial information for such years or periods and as of such dates, set forth in the accountant's report issued by PricewaterhouseCoopers, our independent auditor, and the audited consolidated financial statements as of and for the year ended December 31, 2019 and the unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 included elsewhere in this offering memorandum. Our financial information have been prepared and presented in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which differ in certain respects from generally accepted accounting principles in other jurisdictions. Our historical financial information as of and for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019 have been audited by PricewaterhouseCoopers in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" ("HKSIR 200") issued by the HKICPA, and the consolidated financial statements as of and for the year ended December 31, 2019 has been audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA and the financial information for the six months ended June 30, 2020 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagement 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. Consequently the unaudited financial information for the six months ended June 30, 2020 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Results for interim periods are not indicative of results for the full year. Historical results are not necessarily indicative of results that may be achieved in any future period.

SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(In thousands, except for percentages)						
	(Unaudited)				(Unaudited) (Unaudited)		
Revenue.....	838,259	1,328,887	2,402,810	340,096	762,404	924,694	130,882
Cost of sales	(568,089)	(816,297)	(1,258,578)	(178,140)	(366,046)	(520,145)	(73,622)
Gross profit.....	270,170	512,590	1,144,232	161,956	396,358	404,549	57,260
Selling and marketing expenses	(44,499)	(74,225)	(131,046)	(18,548)	(40,787)	(39,689)	(5,618)
Administrative expenses.....	(66,386)	(124,768)	(162,938)	(23,062)	(71,990)	(62,909)	(8,904)
Net impairment (losses)/reversal on financial assets.....	-	-	(236)	(33)	78	(569)	(81)
Other income.....	721	1,276	3,731	528	638	1,590	225
Other expenses.....	(2,858)	(2,759)	(3,098)	(438)	(1,204)	(3,729)	(528)
Other gains – net.....	36,618	230,570	61,021	8,637	61,865	(9,131)	(1,292)
Operating profit/(loss)	193,766	542,684	911,666	129,038	344,958	290,112	41,063
Finance costs.....	(10,537)	-	(14,219)	(2,073)	-	(15,086)	(2,135)
Finance income.....	971	649	15,605	2,209	452	14,305	2,025
Finance income/(costs) – net.....	(9,566)	649	1,386	196	452	(781)	(111)
Share of results of a joint venture.....	-	(2,781)	(158)	(22)	(158)	-	-
Share of results of associates.....	(792)	(1,282)	(1,387)	(196)	(650)	39,645	5,611
Profit/(loss) before income tax.....	183,408	539,270	911,507	129,015	344,602	328,976	46,564
Income tax expense	(97,330)	(157,511)	(416,590)	(58,964)	(163,427)	(134,881)	(19,091)
Profit/(loss) for the year/period.....	86,078	381,759	494,917	70,051	181,175	194,095	27,472
Profit/(loss) attributable to:.....							
Owners of the Company.....	89,789	386,486	501,517	70,985	185,003	196,906	27,870
Non-controlling interests	(3,711)	(4,727)	(6,600)	(934)	(3,828)	(2,811)	(398)
	86,078	381,759	494,917	70,051	181,175	194,095	27,472
Other Financial Data							
EBITDA ⁽¹⁾	183,754	353,592	900,376	127,440	307,824	343,220	48,580
EBITDA margin ⁽²⁾	21.9%	26.6%	37.5%	37.5%	40.4%	37.1%	37.1%

Notes:

(1) The calculation of earnings before interest, taxation, depreciation and amortisation ("EBITDA") excluded fair value gains on investment properties, gains on disposal of subsidiaries and non-recurring income/expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the New Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operation – Non-HKFRS Financial Measures" for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Also see "Description of the New Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the New 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)	(Unaudited)
Non-current assets						
Property, plant and equipment.....	339,133	330,837	320,264	45,330	314,223	44,475
Right-of-use assets.....	266,247	262,703	260,377	36,854	261,664	37,036
Investment properties	173,178	184,275	187,703	26,568	188,033	26,614
Intangible assets.....	1,249	1,854	2,582	365	2,536	359
Other receivables and prepayments	13,155	12,969	12,929	1,830	12,839	1,817
Deferred income tax assets	78,260	128,899	126,131	17,853	141,321	20,003
Investment in a joint venture	–	20,559	–	–	–	–
Investment in associates.....	36,608	35,326	29,653	4,197	66,225	9,374
Total non-current assets	907,830	977,422	939,639	132,997	986,841	139,678
Current assets						
Inventories	1,713	1,816	1,645	233	1,560	221
Contract costs	36,620	47,745	23,148	3,276	25,835	3,657
Properties under development	2,150,046	3,221,273	3,955,015	559,796	4,365,094	617,839
Completed properties held for sale	221,038	535,301	1,772,134	250,829	1,498,668	212,123
Trade and other receivables and prepayments	381,016	218,283	480,736	68,044	652,707	92,385
Prepaid taxes	137,579	147,602	56,962	8,062	81,984	11,604
Financial assets at fair value through profit or loss	50,800	600	–	–	6,400	906
Restricted cash	112,868	264,546	1,019,118	144,247	1,032,104	146,085
Cash and cash equivalents	297,662	218,881	956,933	135,445	1,136,050	160,797
Amounts due from related parties.....	162,696	980,702	7,759	1,098	7,897	1,118
Total current assets	3,552,038	5,636,749	8,273,450	1,171,031	8,808,299	1,246,734
Current liabilities						
Bank and other borrowings	437,414	439,436	1,923,102	272,197	2,247,418	318,101
Trade and other payables	2,189,698	3,900,146	2,553,385	361,408	2,311,458	327,166
Lease liabilities	3,431	2,120	3,743	530	4,421	626
Current income tax liabilities.....	58,542	85,466	234,465	33,186	258,652	36,610
Amounts due to related parties.....	629,293	1,120,133	50,000	7,077	–	–
Total current liabilities	3,318,378	5,547,301	4,764,695	674,399	4,821,949	682,503
Net current assets.....	233,660	89,448	3,508,755	496,632	3,986,350	564,231
Total assets less current liabilities	1,141,490	1,066,870	4,448,394	629,629	4,973,191	703,909
Non-current liabilities						
Deferred income tax liabilities	30,166	37,082	186,142	26,347	210,664	29,818
Bank and other borrowings	684,131	318,656	1,379,922	195,315	1,841,045	260,583
Lease liabilities	60,942	57,853	62,921	8,906	65,644	9,291
Total non-current liabilities.....	775,239	413,591	1,628,985	230,568	2,117,353	299,692
Net assets.....	366,251	653,279	2,819,409	399,061	2,855,838	404,218
Equity						
Equity attributable to owners of the parent						
Share capital.....	–	–	14,746	2,087	14,746	2,087
Other reserves	74,857	62,643	1,765,202	249,848	1,757,996	248,828
Retained earnings	119,001	486,661	939,006	132,908	985,452	139,482
	193,858	549,304	2,718,954	384,843	2,758,194	390,397
Non-controlling interests	172,393	103,975	100,455	14,218	97,644	13,821
Total equity	366,251	653,279	2,819,409	399,061	2,855,838	404,218

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our business is subject to extensive governmental regulation and is sensitive to property purchase restriction policy (if any) and other policy changes particularly in Guangdong, Hainan, Yunnan and Hunan provinces.

The PRC government has in recent years promulgated various control measures aimed at cooling the property sector and may adopt further measures to regulate this industry. Please see “– Risks Relating to Our Industry – Our operations are subject to extensive governmental policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate.” in this section.

Up to June 30, 2020, our projects were located in Guangdong, Hainan, Yunnan and Hunan provinces of the PRC. As a result, we are more susceptible to purchase restriction and other property related policies and regulations in these provinces in comparison to property developers that have projects nationwide.

Such policies and measures may have negative impact on our business. Government in the locations where we have or will have operations may not lift such purchase restrictions and may even impose more stringent purchase restriction or other policies to stabilize the property market. In such event, our business, results of operations and financial conditions may be adversely affected.

Our business and prospects depend heavily on the economic conditions in the PRC and the performance of the PRC property markets, particularly in Guangdong, Hainan, Yunnan and Hunan provinces.

As of June 30, 2020, we had five completed project phases located in Guangdong province, one in Yunnan Province and five in Hainan province. We also had three project phases under development in Guangdong province, one in Hainan province, one in Yunnan province and one in Hunan province. In addition to the above, we also had seven project phases held for future development in Guangdong province, two in Hainan province, three in Yunnan province and three in Hunan province of the PRC. We had and will continue to enhance our presence in these cities and all 3.9 million sq.m. as of June 30, 2020 of land in our land reserve was located in these provinces. Our profit before income tax decreased by 4.5% from RMB344.6 million for the six months ended June 30, 2019 to RMB329.0 million for the six months ended June 30, 2020. Property markets in these provinces may be affected by local, regional, national and global economic and financial condition, demand for and supply of properties in local area, inflation and government policies.

There have been increasing concerns over the sustainability of growth in the real estate market in the PRC. Speculative activities in local markets, investor sentiment, availability of alternative investment choices, interest rates and availability of capital may also have significant impact on our business and prospects. Any general market downturn in the PRC or in locations in which we have or expect to have operations may result in over supply of properties and stale housing inventory, and have material and adverse impact on our business, cash flows, financial condition and results of operations.

We may not be able to acquire land in desirable locations that are suitable for our development at commercially acceptable prices or at all.

Our sustainable growth and success depend significantly on our ability to continue acquiring additional land that are suitable for our projects at desirable locations and commercially acceptable prices. Land we acquired for our projects are primarily through acquiring companies that owned land use rights of our target sites and through land auction or listing-for-sale activities of local government in the PRC. We also acquired land for property development by cooperating with our business partners through joint venture and associated company. Our ability to acquire land depends on a lot of factors. For example, the PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Whether we can win the bidding for such land depends heavily on our ability to compete in price and project quality with other property developers.

In recent years, rapid development in locations we operate or intend to operate has also resulted in limited supply of undeveloped land at desirable locations and commercially acceptable costs to us. As we are a young property company with limited funding, where there is any substantial increase in land costs in the future, we may not be able to compete effectively with other property developers that have more financial resources than us. If we are unable to acquire land parcels for development in a timely manner or at prices that allow us to achieve reasonable return upon sales to our customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be subject to fines or sanctions by the PRC government if we fail to pay land grant premium or fail to develop properties according to the terms of the land grant contracts or due to lack of registration of our lease.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including payment of fees, designated use of land, prescribed timing for commencement and completion of development and others), the relevant government authorities may issue a warning to and impose penalty on the developer. It may also forfeit the land use rights in serious cases. Any violation of the land grant contract may result in restriction or prohibition on a developer's qualification to participate in future land bidding.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to register the lease agreements and obtain property leasing filing certificates for their leases. Failure to register the lease agreements does not affect the validity of our lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The registration of these lease agreements to which we are a tenant requires additional documents to be provided by the respective landlords, which are beyond our control.

We cannot assure you that we will not experience delay in payment of land premium or violation of terms in the land use right contracts in future due to reasons beyond our control or that the other parties to our lease agreements will be cooperative and we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. If we incur fines, late payment fees or is restricted or prohibited from participating in land bidding in future, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to commence development of land within the prescribed deadline in the land use right grant contract, develop area less than a prescribed portion of the total land area, or if the total capital expenditure on land development is less than a prescribed portion of the total expected investment amount stated in the project proposal submitted to the government, or if development is suspended for over a year without government approval, the land may be treated as idle land. If so, we may be required to pay a idle land fee or even forfeit the land. Where malicious hoarding or speculation of land is involved, competent land authority will not accept any application for new land use rights, process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of the piece of idle land before the relevant land use right holder completes required rectification procedures. Up to June 30, 2020, four of our project sites with an aggregate site area of 263,278 sq.m. were identified as idle land by the relevant government authorities, and among which, three project sites were idle because of reasons due to local government.

We cannot assure you that circumstances leading to delay in property development and in turn, imposing of fine or even repossession of land by the government will not arise in future due to circumstances beyond our control, or that we will not be at loss if we are to comply with the terms of the land use right grant contracts against our commercial interest. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs of the repossessed land development 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 grant contract as a result of delays in project development, or as a result of other factors, 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.

Our cash inflow from and results of operations may vary significantly from period to period and such fluctuations may make it difficult to predict our future performance.

Our cash inflow of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Further, our cash inflow for a given financial period are not necessarily indicative of cash inflow to be expected for any other financial period as it depends on the timing of our pre-sale activities.

Our results of operations may fluctuate from period to period depending on, among others, the timing of our pre-sale and sale activities, the overall development and delivery schedule of our projects, the level of acceptance of our properties by customers, our land acquisition activities, our revenue recognition policy and changes in our costs and expenses, particularly, land acquisition and development costs. We generally recognize our revenue when we deliver completed properties to our customers. Accordingly, periods in which we pre-sell a lot of properties may not necessarily be the periods in which we generate a correspondingly high level of revenue, as the pre-sold properties may not be completed and delivered within the same financial period. Our results of operations may therefore vary significantly from period to period depending on the properties sold or pre-sold and the timing of completion of the properties we sell.

We had negative net operating cash flows in the past. We may not be able to meet our contractual and capital commitments or obtain sufficient funding for our land acquisitions and future property developments whether through bank loans or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment during the construction period. Our cash outflow used in operating activities arise principally from cash used in operations and income taxes paid. Our projects have been generally funded through cash generated from operations including proceeds from the pre-sale of our properties, bank loans and shareholder's loan. We expect to continue to fund our projects through pre-sale proceeds and will look for additional financing opportunities.

However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded net cash used in operating activities of approximately RMB270.6 million, RMB209.8 million, RMB1,447.9 million (US\$204.9 million) and RMB448.4 million (US\$63.5 million), respectively. For the year ended December 31, 2017, our net cash used in operating activities was mainly a result of cash used in operations and taxes paid. For the year ended December 31, 2018, our net cash used in operating activities was mainly a result of cash used in operations, income tax paid and interest paid. For the year ended December 31, 2019, our net cash used in operating activities was mainly a result of cash used in operations, income tax paid and interest paid. For the six months ended June 30, 2020, our net cash used in operating activities was mainly a result of our cash used in operations, income tax paid and interest paid. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources – Cash Flow" section. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had contractual and capital commitment of RMB776.9 million, RMB2,170.2 million, RMB1,897.0 million (US\$268.5 million) and RMB2,017.8 million (US\$285.6 million), respectively. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. In particular, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We relied on interest-free borrowings from our Controlling Shareholders.

We funded our operations partly using interest-free borrowings from Mr. Michael Chan (one of our Controlling Shareholders) and entities controlled by him. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our non-trade balances due to our ultimate controlling shareholder and his private company were approximately RMB629.2 million, RMB1,115.2 million, nil and nil, respectively.

We may need to obtain debt financing from lenders other than our Controlling Shareholders to finance our operations and therefore expect to incur interest expenses that we did not incur. If we are unable to obtain loans at interest rate acceptable to us, or at all, our business, results of operations and financial performance may be materially and adversely affected.

The interests of our Controlling Shareholders may not be consistent with our interests or those of our creditors, including holders of the New Notes. To the extent that there are conflicts of interest between our Controlling Shareholders and our Company or our creditors, we cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the New Notes.

We have substantial indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We maintain a substantial level of borrowings to finance our operations and going forward, we expect to continue to have a substantial level of borrowings. Our total borrowings as of December 31, 2017, 2018 and 2019 and June 30, 2020 were RMB1,121.5 million, RMB758.1 million, RMB3,303.0 million (US\$467.5 million) and RMB4,088.5 million (US\$578.7 million), respectively. Our net debt to equity ratio, calculated as net debt divided by total equity, was 194.1%, 42.0%, 47.1% and 67.2%, respectively, as of the same dates. As of June 30, 2020, our total borrowings due within one year was RMB2,247.4 million (US\$318.1 million).

Our substantial indebtedness and high gearing could have significant implications, including, among others:

- 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 for our business expansion, working capital and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors with lower levels of indebtedness;
- limit our ability to borrow additional funds; and
- increase our cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities to complete our projects under development and projects held for future development, in which case the risks that we face as a result of our substantial indebtedness could intensify.

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

If we are unable to comply with the restrictions and covenants of our current or future debt and other obligations, there could be a default under the terms of relevant agreements, in which case the relevant creditors could accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be, or with respect to secured borrowings, enforce the security interest securing the loan. Furthermore, some of these agreements contain cross-default provisions. As a result, our default under one agreement may trigger acceleration under other financing agreements. 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 which has become due and payable, or that we would be able to find 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 rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.

We engage external third-party construction contractors and construction material suppliers to provide us with construction related services and materials. We cannot assure you that the services rendered or materials supplied by our contractors or suppliers will always be satisfactory or meet our quality requirements. Our construction contractors may fail to provide satisfactory services or complete all construction works on schedule. If completion of our project is delayed, we may incur additional costs including replacement of contractors or suppliers as well as potential compensation to our customers in the event of unsatisfactory quality or delay in delivery of our properties. Our cost structure and development schedule of our projects could be adversely affected which in turn could have material adverse impact on our business, cash flows, financial conditions and results of operations.

There may also be shortage of contractors that meet our quality standards and other selection criteria and we may not be able to engage a sufficient number of high-quality contractors in a timely manner to accommodate our property development schedule. This may adversely affect our construction schedules and development costs.

We may not be able to complete the development or construction of our current or future projects on time, within budget or at all.

As of June 30, 2020, we had six project phases under development and 15 project phases held for future development.

However, we cannot assure you that our projects under development and projects held for future development will commence pre-sale or be completed on time and within budget or at all, and failure to complete may have material adverse impact on our business, reputation, financial conditions and results of operations. During the construction period, we may face cost overruns or delays caused by a number of factors, including shortages of, or price increases in, raw materials and/or skilled labor, unforeseen environmental issues, contractor default or insolvency, as well as failure or difficulties in obtaining any requisite licenses, approvals or permits from regulatory authorities. If we experience any material increase in the cost or delays in delivery, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain or may experience delay in obtaining the land use rights for redevelopment of our project land under the “Urban Renewal Policy”.

We had acquired land for project development through acquiring old factories and associated industrial land. Such land, subject to approval under the “Urban Renewal Policy” by the local government and local general planning, can be used for redevelopment into commercial and residential projects. Before redeveloping the relevant land, we are required to comply with a series of approval procedures and pay additional land premiums and/or return part of the site area to government. For details of the approval process, please see “Business – Our Property Development Business Process – Land Selection and Acquisition Process – Redevelopment under Urban Renewal Policy” in this offering memorandum.

Land parcels we acquired for redevelopment comprise three projects to be held for future development, namely JY Grandmark Building (景業名邦大廈), JY Guangzhou Asian Games City Area Project (景業廣州亞運城板塊項目) and JY Yingde Jinxiong Project (景業英德市金雄項目). We plan to redevelop the sites into residential and commercial properties subject to approval being obtained from relevant government authorities. As of June 30, 2020, 185,255 sq.m. of land under these projects, which represented 9.0% of our total project site area attributable to us, was to be redeveloped under this “Urban Renewal Policy”.

We cannot assure you that our land reformation implementation plans will be accepted by the relevant government authorities and the governmental authorities will grant us the change of land use or issue the relevant land use rights certificates in respect of these parcels of land. There is also no assurance that the relevant government authorities will approve our applications for the change of land use in a timely manner. If we fail to obtain or experience a material delay in obtaining the land use rights for redevelopment of our project land, there may be a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain or may experience delay in obtaining the land use rights of collectively-owned construction land from local economic organizations for our JY Maofengshan Project (景業帽峰山項目).

Our JY Maofengshan Project (景業帽峰山項目) is planned to be developed on collectively-owned construction land. Part of the site area had been converted to construction land while the remaining part were still non-construction land as of June 30, 2020. Subject to the land use of the relevant land having been converted to construction land, we plan to enter into collectively-owned construction land use right transfer agreements with the collective economic organizations and go through necessary approval process to obtain the land use right of the collectively-owned construction land. See “Business – Our Property Projects – JY Maofengshan Project (景業帽峰山項目)” for details of this project. We had also contracted agricultural land, forest land, bare land and mountain land which were not designated as construction land as of June 30, 2020. Those contracted land may or may not be converted into construction land under local government’s zoning plan. However, some of those contracts may be terminated due to the lack of villagers’ voting documents, governments’ approval or recording documents.

We cannot assure you that we can obtain the land use rights of the collectively-owned construction land that are necessary for our project development, or that there will be no delay in obtaining such rights. We also cannot assure you that the land use of contracted land can be converted to construction land, or that there will not be delay in conversion of land use. If we fail to obtain or experience a material delay in obtaining the land use rights for, or conversion of the land use of, the collectively-owned land used for JY Maofengshan Project, there may be a material adverse effect on our business, financial condition and results of operations.

Failure to obtain or material delays in obtaining or renewing requisite certificates, permits, approvals or licenses from the PRC government may adversely affect our business.

Property development as well as hotel operation industries in the PRC is heavily regulated. We are required under relevant laws and regulations of the PRC to apply to the relevant government authorities and obtain various licenses, permits, certificates and approvals to engage in property development operations, including but not limited to, qualification certificates for real property development enterprise, land use rights certificates, environmental protection evaluation and approval, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and construction works completion inspection and registration. For our hotel operations business, we are required to maintain, among others, Special Trade License, Pre-operation Fire Services Compliance Certificate for Public Places and Food Operation License for our Just Stay Resort and Just Stay Hotel. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit.

We cannot assure you that new rules and regulations that may come into effect from time to time will not post more stringent requirements for obtaining or renewing licenses we required for our property development and hotel operations businesses, or that we will not encounter material delay or difficulty in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain, renew or encounter significant delays in obtaining or renewing necessary government approvals for any of our property development projects or hotel operations, we will not be able to continue with our development plans or operation of our hotels. As a result, our business, financial condition and results of operations may be materially adversely affected.

Our financial conditions and results of operations in future may be adversely affected by our relationship with our business partners as well as the capital requirements and financial performances of our non-wholly-owned subsidiaries, joint venture and associated company.

Certain of our non-wholly-owned subsidiaries, joint venture and associated company have shareholders which are our business partners. We may continue to adopt this strategy in the future to lower our land acquisition costs. As of June 30, 2020, approximately 698,234 sq.m. of GFA within our land reserve which were located in Nansha, Zhongshan, Qingyuan, Lingao and Zhaoqing were held by our non-wholly-owned subsidiaries, joint venture or associated company. Their performances are expected to affect our financial condition and results of operations.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our investments in joint venture and associates amounted to RMB36.6 million, RMB55.9 million, RMB29.7 million (US\$4.2 million) and RMB66.2 million (US\$9.4 million), respectively, which were in proportion to our equity interest in such companies. Such capital contribution were mainly used to fund land acquisition and working capital requirements of such project companies. We may need to provide further capital to such project companies as the respective project proceeds. As a result, capital requirements and financial performances of these non-wholly-owned project companies may materially and adversely affect our financial conditions and results of operations. We generally expect to incur share of loss in project companies until their respective projects complete and starts to contribute revenue.

The financial performances of these companies in turn depend on factors which may be beyond our control and we cannot assure you that we will be able to realize the anticipated economic and other benefits from these companies. Certain matters relating to these non-wholly-owned companies and associated companies may require consent from all directors and/or shareholders under their respective articles of association and therefore involve a number of risks, including the following:

- we may not be able to pass certain important board resolutions requiring unanimous consent from all directors and/or shareholders if there is a disagreement between us and our business partners;
- we may disagree with our business partners on the scope or performance of our respective obligations under the business ventures;
- our business partners may face difficulties, or become unable or unwilling to perform their obligations, including making capital contributions;
- our business partners may have economic or business interests or goals or philosophies that are inconsistent with ours;
- our business partners may take action contrary to our requests, instructions, policies or objectives with respect to the business ventures; or
- without full control over the business and operations of the business ventures, we cannot assure you that they have been, or will be, in strict compliance with all applicable PRC laws and regulations.

Any of the above risks, if realized, may have material adverse effect on our business, results of operation and financial conditions.

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

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

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

We have experienced fluctuations in the labor costs, and expect such costs to increase in the foreseeable future. In addition, we procure construction materials through our external construction contractors or by ourselves. The cost of construction materials, such as steel and concrete, may continue to fluctuate from time to time. As some of our major construction contracts are not fixed price contracts, we bear the risk of fluctuations in construction material prices during the term of the relevant contract when the prices exceed certain thresholds. Moreover, increases in the cost of construction materials and labor will likely prompt our construction contractors to increase their fee quotes for our new property development projects.

Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the costs of construction materials and labor increase subsequent to the pre-sale. The increasing cost of construction materials and labor and our inability to pass cost increases on to our customers may adversely affect our financial condition and results of operations.

We are dependent on property brokerage firms for sales and marketing of our property projects and may be affected by the performance of such agencies.

We engaged external property brokerage firms for the sales and marketing of certain of our projects. Please see the section headed “Business – Our Property Development Business Process – Pre-sales and Sales and Marketing – Sales and Marketing” for more details. We expect to continue to engage property brokerage firms to conduct sales and marketing of our property projects in the future.

We cannot assure you that the property brokerage firms we engage are in compliance in all material respects with the PRC laws and regulations applicable to us or them. If any of the property brokerage firms engaged by us fails to comply with the applicable PRC laws and regulations in our sales and marketing campaigns, we may lose a portion of our customers, and our reputation and credibility, business and results of operations could be harmed. In addition, if any of the property brokerage firms engaged by us underperforms and fails to meet our sales target, or we are not able to engage suitable property brokerage firms in a timely manner, our sales may be affected and our business, financial condition and results of operations may also be adversely affected.

We provide guarantee for mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans.

We mainly derive our revenue from sales of our properties and certain of our purchasers apply for bank borrowings and mortgages to fund their purchases. As the building ownership certificates have not been issued to our customers at pre-sale stage and in line with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for a purchaser until the earlier of (i) the issue of relevant property ownership certificate in the name of the purchaser of the property and registration of mortgage over the relevant property in favor of the bank; or (ii) the full repayment of the mortgage loan by the purchaser of the relevant property. If a customer defaults on payment of its mortgage loan, the mortgagee bank may require that we repay the entire outstanding balance of the mortgage pursuant to the guarantee. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the customer credit evaluations conducted by the mortgagee banks. These are contingent liabilities not reflected on our balance sheets.

As of June 30, 2020, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB1,209.0 million (US\$171.1 million). We encountered one incident of default by our purchaser for whom we had guaranteed the mortgage loans, which involved defaulted payment plus accrued interest of RMB0.6 million. We did not encounter any customer default that had a material adverse effect on our financial condition and results of operations up to June 30, 2020. However, we cannot assure you that we will not be subject to guarantee-related risks. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

We face risks related to the pre-sale of properties and claims from customers in the event the pre-sold properties are not delivered on time or up to required quality.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. If we fail to deliver a property that we have pre-sold in a timely manner or at all, or if there is any material quality issue in the property or the fitting out works, the purchaser may claim damages from us or even terminate his/her contract with us, as the case may be, either under the pre-sale contract or relevant PRC laws and regulations. A purchaser may also terminate his or her contract with us and/or bring claims for compensation under other terms, representation and warranties under the pre-sale contracts. Though we are typically able to claim compensation from relevant contractors pursuant to the terms of our contract with them if our breach of undertakings in our pre-sale contract is due to their fault, we cannot assure you that we will always successfully recoup full compensation from our contractors. If we experience material delay or material quality issue in properties we deliver in the future, or become liable to pay significant amount of compensation to purchaser of our properties due to contractual disputes or for other reasons, our reputation, business, financial condition and results of operations may be materially adversely affected.

Adverse changes in PRC laws and regulations with respect to pre-sale may have a material adverse effect on our business performance.

We depend on cash flows from the pre-sale of our properties as one of the sources of funding for our property development projects. Under current PRC laws and regulations, property developers are required to fulfill certain conditions before they are allowed to commence pre-sale of the relevant properties. The use of pre-sale proceeds is also restricted to financing project development. On September 21, 2018, the Guangdong Real Estate Association issued the “Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses” (“**Emergency Notice**”), pursuant to which the PRC Government may prohibit or impose additional or more stringent requirements on pre-sale of properties. The Emergency Notice has been put on hold. However, we cannot assure you that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The adoption of any such measures may increase our cost of borrowings and reduce the availability of the Group’s funding sources going forward, which may materially and adversely affect our cash flow position. We may have to seek alternative sources of funding to finance our project development, which may not be available on commercially reasonable terms, or at all. In such event, our business, prospects, financial conditions and results of operation may be materially adversely affected.

We may not be able to obtain adequate financing to fund our future land acquisitions and property development at commercially reasonable terms or at all.

Property development is capital intensive. We are expected to continue to incur a high level of capital expenditure for land acquisition and construction for the foreseeable future. We financed our property projects primarily through a combination of internally generated funds, including proceeds from pre-sales and sales of our properties and borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including the following:

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

The PRC government has implemented a number of measures to manage the growth of the money supply and the availability of credit, especially with respect to the property sector in the past. On March 13, 2018, the PRC State Council further submitted the Reform Plan on State Council Agencies for review of the First Session of the thirteenth NPC, proposing to merge the CIRC and the CBRC to strengthen the regulation over financial

institutions, and thereafter report to the newly established Financial Stability and Development Committee. This reform will lead to uncertainties in regulatory environment of the finance market, which may indirectly affect the real property industry. For further information real-estate financing, see “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Financing”. The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and other financing arrangements to finance our property development projects. Should the PRC government introduce similar additional initiatives, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all.

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

We are subject to certain restrictive covenants in the loan contracts between us and certain banks and other arrangements entered into by us, including the indenture for the New Notes, which may, for instance, restrict our operating subsidiaries from paying dividends without prior consent or prescribe the maximum gearing ratio. We may also be required to seek the consent of relevant banks to carry out mergers, restructurings, spin-offs, reductions in registered capital, transfer or liquidation of material assets, provide guarantees to third parties, to change our shareholding or management structures or set up new joint ventures. See “Description of Other Material Indebtedness” for details.

Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of the relevant loans. Such loan agreements may also contain cross-default clauses such that relevant banks may accelerate the repayment of all or part of the relevant loans and recover against the security we provided if we breach any of our loan agreements. If we fail to observe such restrictive covenants and relevant banks demand repayment of relevant loans, our business, financial condition and results of operations could be materially and adversely affected.

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

According to applicable PRC laws and regulations, in the absence of a prescribed time frame in the sale or pre-sale contract with customers, property ownership certificate shall be obtained within 90 days of delivery of the completed property in the case of pre-sale, or within 90 days of execution of the sales contract for completed property. In line with industry practice, property developers, including us, generally assist purchasers of properties to obtain the relevant individual property ownership certificates and elect to specify the deadline for the delivery of the certificate in the sales contract. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning permits, to the local bureau of national land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties.

We are then required to submit after delivery of the properties, the relevant sales contract, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority’s review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. There can be no assurance that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

Our expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve sustainable growth, we may eventually commence operations in regions in the PRC where we had no operations. We may face intense competition from developers with established experience or presence and from other developers with similar expansion plans, particularly in geographic locations with sufficient growth potential. Due to lack of local knowledge and experience, we may face challenges not previously encountered and may fail to recognize or properly assess risks or take full advantage of opportunities.

Furthermore, our experience in existing markets and our business model may not be readily transferable to, and replicated in, new geographic regions. The property markets in new geographic regions may be different from the geographic regions in which we currently operate in terms of the level of local economic and industrial development, local governmental policies and support, market demand for our properties and development cycles. We may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put us in a disadvantageous position. We may have also limited ability to leverage our established brands and reputation in new markets in the way we have done in our existing geographical markets. Furthermore, the administrative, regulatory and tax environments in our target regions may be different and we may face additional tax and regulatory expenses or difficulties in complying with new procedures. We may also have to engage new local contractors and suppliers for our operations, the quality and credibility of which we are not familiar with. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

There is uncertainty about the recoverability of our deferred tax assets, which may affect our financial position and results of operations in the future.

We had deferred income tax assets of RMB78.3 million, RMB128.9 million, RMB126.1 million (US\$17.8 million) and RMB141.3 million (US\$20.0 million) as of December 31, 2017, 2018, 2019 and June 30, 2020, respectively. Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefits through future taxable profits is probable. We periodically assess the probability of the realization of deferred income tax assets, using significant judgments and estimates from our management with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. 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 regulatory environment, in which case, we may not be able to recover our deferred income tax assets which thereby could have an adverse effect on our financial position and results of operations.

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

We are required to reassess the fair value of any investment properties that we hold. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the periods in which they arise and the impact may be significant. The fair value gains on our investment properties for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were RMB33.1 million, RMB11.1 million, RMB3.4 million (US\$0.5 million) and RMB0.3 million (US\$0 million), respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. Nevertheless, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

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

The volatility of the real estate market may subject us to risks in connection with possible impairment losses for properties under development and completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment losses may arise when the carrying value of a property exceeds its recoverable amount. Although we did not record any impairment losses for properties under development and completed properties held for sale, 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 such impairment losses, our results of operations, financial condition and prospects may be adversely affected.

Gains on disposal of subsidiaries are non-recurring in nature. Accordingly, we may not record such gains in the future.

We recorded significant gains on disposal of subsidiaries for the year ended December 31, 2018 and 2019 in the amount of RMB210.4 million (US\$29.8 million) and RMB59.7 million (US\$8.4 million), respectively, as a result of the disposal of Guangzhou Jinghengyue, Guangzhou Juxin and Sure Fine in the year ended December 31, 2018 and Guangzhou Jinghong in 2019. For details, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Description of Selected Items in Consolidated Statements of Comprehensive Income – Other gains – net”. While such gains had a significant impact on our reported profit for the relevant periods, they are non-recurring in nature. Therefore, we may not record such gains in the future, which in turn may materially affect our profitability.

We incur maintenance and operating costs in operating our hotels, which may increase.

Our Just Stay Hotel and Just Stay Resort utilize a large amount of utilities such as gas, water and electricity. We are generally not able to influence the prices which utility providers charge, nor can we easily switch to different utility providers. Any price increase or change in the pricing structure from these utility providers could have an adverse effect on our operating costs. As a result, increases in the prices of products and services which we procure to maintain our services to our hotel guests could increase our operating costs if we are not able to pass these higher costs onto our customers.

In addition, operating our hotels, as well as the restaurants and other associated facilities within the hotels, involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on our profitability when the hotel industries experience a downturn and may exacerbate the impact of a decline in occupancy rates, room rates or in demand for our restaurants and catering facilities. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our hotels may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, refurbishments, renovation or upgrade of the properties or neighboring properties.

Our hotels may require repairs and refurbishments which may require significant capital expenditures. Our hotels may also need to undergo redevelopment or renovation works from time to time to retain their attractiveness and may also require maintenance or repairs. Such repairs, refurbishments, redevelopments, renovations or upgrade of our hotels may impact on our ability to attract guests and customers for our restaurants and facilities at our hotels. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of our hotels or the restaurants or other facilities within the hotels. As a result, during the period of any such repairs, refurbishments, redevelopments, renovations or upgrade, we may experience a reduction in occupancy rates and/or average room rates of our hotels, and/or the number of customers using our restaurants and catering facilities.

Furthermore, buildings neighboring any of our hotels may be demolished or redeveloped for alternative uses, which may cause disruption to our hotel operations. This may in turn negatively impact the revenue, attractiveness and valuation of our hotels. Furthermore, any development or redevelopment of neighboring properties could add properties that compete with our hotels. The occurrence of any of the above circumstances could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our commercial property investment and property management businesses might subject us to a variety of risks.

We are subject to risks incidental to the ownership and investment 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.

The performance of our property management business depends on various factors, including our ability to provide professional and quality property management services, collect property management fees and control our costs, in particular, labor costs. We are generally paid fixed management fees for our services regardless of the actual cost we incur. In addition, management fees may also be subject to price range set by applicable government guidance. In the event that the property management fees we charge are insufficient to cover our costs and if we are unable to increase such fees in response to cost increases, there could be adverse effect on our financial condition and results of operations. Alternatively, if we seek to reduce costs, we may not be able to maintain the quality of our property management services, which may similarly affect our reputation, business, financial condition and results of operations.

Furthermore, there are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public places, such as shops and fitness centers. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation, decrease our overall rents and occupancy rates and increase our costs for restoring our reputation. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not 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.

Investment in real properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all.

We selectively retain the ownership of certain properties with strategic value as investment properties for commercial investment and rental income. We have also contracted to acquire certain commercial properties which will be held for sale. In general, investment in real properties in the PRC is relatively illiquid compared with other forms of investment. In the event that we need to dispose of certain investment properties because of changes in economic, financial and investment conditions, we cannot assure you that we will be able to sell such investment properties at market prices or on terms satisfactory to us, or at all.

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

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law (《中華人民共和國人民防空法》) promulgated by the NPC on October 29, 1996, as amended on August 27, 2009, and the Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (人民防空工程平時開發利用管理辦法) promulgated by the Office of Civil Air Defense of the PRC on November 1, 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense areas in times of peace and generate profits from such use. Such areas were used as car parks. However, in times of war, such areas may be used by the government at no cost.

In the event of war and if the civil defense area of our projects is used by the public, we may not be able to use such area as car parks. In addition, while our business operations have complied with the laws and regulations on civil defense areas in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost. As of June 30, 2020, we had civil defense areas in (i) six completed project phases, with an aggregate GFA of 24,792 sq.m., (ii) one project under development, with aggregate GFA of 14,698 sq.m., and (iii) one project phase held for future development, with the GFA of 14,122.0 sq.m. which were primarily used or to be used as car parks, representing an insignificant portion of our property portfolio.

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

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As our borrowings are in RMB, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have gradually decreased in recent years. The weighted average effective interest rates on our total borrowings has decreased from 6.3% as of December 31, 2017, to 5.7% as of December 31, 2018 and increased to 6.4% as of December 31, 2019 and remained relatively stable as of June 30, 2020. Our total borrowing costs incurred for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were RMB57.8 million, RMB62.5 million, RMB130.4 million (US\$18.5 million) and RMB127.0 million (US\$18.0 million), respectively. Any future increases in the PBOC benchmark interest rate as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

Our provision for Land Appreciation Tax may be insufficient which could adversely affect our financial results.

Our properties developed for sale are subject to Land Appreciation Tax (“LAT”). Under the PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the estimated full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT.

We only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded PRC LAT expenses of RMB56.9 million, RMB85.6 million, RMB229.0 million (US\$32.4 million) and RMB62.4 million (US\$8.8 million), respectively. As of June 30, 2020, we had not had any disagreement with the relevant government authorities with respect to our LAT calculations. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, we cannot assure you that the relevant tax authorities will always agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans.

We are a holding company and rely primarily on dividends paid by our subsidiaries, joint venture companies and associate companies to fund any cash and financing requirements. Our ability to pay dividends and utilize cash resources in our subsidiaries, joint venture companies and associate companies therefore depend on their earnings and distributions.

We are a holding company and we conduct our business operations primarily through our subsidiaries and associate companies in the PRC. Our ability to make dividend payments and other distributions in cash, to pay expenses and finance other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries, joint venture companies and associate companies. The ability of our subsidiaries, joint venture companies and associate companies to pay dividends or other distributions may in turn be subject to their earnings, financial position, cash requirements and availability of cash. If any of our subsidiaries or associate

companies incurs indebtedness in its own name, relevant instruments may restrict dividends or other distributions to us. For instance, Guangzhou Chuangyi Decoration Engineering Co., Ltd., our PRC subsidiary contributing approximately 12% in terms of revenue to the Group for the six months ended June 30, 2020, has entered into a loan agreement with dividend restrictions, pursuant to which the borrower may not distribute dividend if its profit before tax is insufficient to repay the outstanding principal, interest and expenses. These restrictions could reduce the amount of dividends or other distributions that we receive, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders.

Declaration of dividends by joint venture companies and our associate companies is at the absolute discretion of the boards of our associate companies. Payments of dividends by our subsidiaries and associate companies are also subject to restriction under the PRC laws. In addition, if our subsidiaries or associate companies obtained loan from banks, they may be restricted from making distributions to us due to restrictive financial covenants contained in relevant loan and banking facilities agreements. As of the date of this offering memorandum, some of our PRC subsidiaries are subject to restrictions on dividend payment as set out in their financing agreements. Such subsidiaries did not have distributable profit as of June 30, 2020. Any of the above factors may affect our cash inflow and ability to pay dividends. As we expect to continue to invest in subsidiaries, joint venture companies and associate companies for our property development projects, our liquidity may be further restricted if we are not able to receive dividends from our existing or future subsidiaries or associate companies, which may in turn could materially and adversely affect our ability to conduct our business.

Our inability to attract, retain or secure key management and qualified personnel for our operations could hinder our continuing growth and success.

Our success depends on the services and efforts of our Directors, key management and other employees and our ability to continue to attract, retain and motivate qualified personnel to a significant extent. We compete with other property developers for experienced management and other qualified personnel, and the competition for such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified employees essential for our growth. The loss of services of any employee holding an important position or possessing industry expertise or experience, including those in charge of project management, product design and planning, construction, sales and marketing, and accounting and finance, could have a material adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected. For details of our key management, see “Management” section in this offering memorandum.

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

The appraised value of our properties is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves is based, include that we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests; no allowance has been made for any charges, mortgages or amounts owing neither on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale; we have paid all land premium payments that are due and other costs such as ancillary utilities services in full and save as disclosed in this offering memorandum, there is no requirement for payment of any further land premium or other onerous payments to the government; our properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by Cushman & Wakefield in appraising the value of our properties will prove inaccurate. Therefore, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of our property holdings as well as the realizable value of our properties. If the actual realizable value of our properties and/or the value of our property holdings is substantially lower than their appraised value, there may be a material adverse effect on our business, results of operation and financial condition.

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

Consistent with what we believe to be the industry norm for the property development industry in the PRC, we do not maintain insurance coverage against destruction of or damage to our properties, no matter whether they are under development or held for sale other than those over which our lending banks have securities interests or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when we will sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

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

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. In addition, the PRC government has also introduced policies to specifically restrain property purchases for speculation purposes and refrain property prices from rising too quickly in certain cities in the PRC. The PRC government has also imposed requirements for pre-sales and restrict the use of funds raised by pre-sales. All the above policies measures were implemented with an aim to curb demand for properties and make the property development more costly. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. On December 31, 2020, PBOC and CBRC jointly promulgated the Notice on Establishing a 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 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. Please see “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Transfer and Sale – Measures on Stabilizing Housing Price” and “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Financing” for details of the policies and regulations.

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

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

Under the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) enacted by the State Council on July 20, 1998 and amended on January 8, 2011, March 19, 2018, March 24, 2019 and last amended on November 29, 2020, and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which went into effect on June 1, 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. Generally, we receive quality warranties from third-party contractors with respect to our property projects. If a large number of claims were brought against us under our warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained

by us to cover our payment obligations under the quality warranties was not sufficient, we could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and adversely affect our business, financial condition and results of operations.

The PRC property market is volatile.

The PRC property market is volatile and may experience under-supply or oversupply of property and significant price fluctuations. Our business depends and will continue to depend on the growth of the economy and property market in the PRC. A significant downturn in the PRC economy or property market could adversely affect the demand for residential and commercial properties.

The PRC central and local governments frequently adjust monetary, fiscal or other economic policies to prevent and curtail the overheating property market, as well as the economy, which may also in turn affect the PRC property market. Such policies may lead to changes in market conditions, including price instability and an imbalance of supply and demand in respect of residential and commercial properties, which may materially adversely affect our business, results of operation and financial condition. We cannot assure you that there will not be over-development in the PRC property markets, which may in turn cause oversupply of properties that depress sale prices and rent. Over-development in the PRC property markets may result in under-supply of potential development sites or increase in land acquisition costs in the markets in which we operate. Such effects may adversely affect our business, financial condition and results of operations.

The PRC property market industry is highly competitive.

There are a large number of property developers in the PRC and we expect the level of competition to increase over time. Intense competition among property developers in China for land, financing, construction materials and skilled management and human resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale, a decrease in property prices, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified contractors and personnel.

Many of our competitors, including foreign developers and top-tier domestic developers, may have more financial or other resources than us. If we fail to compete effectively, our business, prospects financial condition and results of operations may be materially adversely affected.

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 6 August 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. There are talks of trade tariffs on goods imported from China to the United States and a possibility of a trade war between the United States and China if negotiations fail to resolve trade issues amicably. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. The United Kingdom ceased to be a member of the European Union on January 31, 2020 (“Brexit”). During a prescribed period (the “Transition Period”), certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the “TCA”); and, on December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application for a limited period between January 1, 2021 to February 28, 2021, pending ratification of the TCA by the European Parliament (the “Provisional Period”). The Provisional Period may be extended by mutual agreement between the EU and the UK. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. The Transition Period ended on December 31, 2020 and the Provisional Period is now in effect. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK’s future economic, trading and legal relationships with the EU and with other

countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. The effect of such potential events on us is impossible to predict; but they could significantly impact volatility, liquidity and/or the market value of securities, including the New Notes, and could have a material adverse effect on our ability to make payments on the New Notes.

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

RISKS RELATING TO DOING BUSINESS IN THE PRC

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, the PRC economy and our business operations.

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

According to the data released on April 17, 2020 by the National Bureau of Statistics of China, or the National Statistics Bureau, China's first quarter GDP of 2020 contracted by 6.8% in 2020 compared with the first quarter of 2019. The development of pandemic may adversely and materially affect economic growth globally due to reduction in demand and supply. On March 2, 2020 the Organization for Economic Cooperation and Development reduced 2020 GDP growth projects for almost all economies. Further, the pandemic may adversely and materially affect the stability of global financial markets. On March 9, 12, 16 and 18, 2020, trading on the New York Stock Exchange were halted for 15 minutes because S&P 500 trading price reached 7% below prior day's S&P 500 closing price. The unfolding pandemic may significantly reduce global market liquidity and depress economic activities.

The COVID-19 pandemic has adversely affected, and may continue to have a material adverse effect on our business, financial condition and results of operations. Several cities in China where we have property development projects and sales center had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. If any of our employees are identified as a patient of these diseases or deemed as a source of pandemic or other serious diseases, we may be required to quarantine those employees that have been suspected of becoming or confirmed to be infected, as well as other employees that have come into contact with those suspected to or have infected employees. Moreover, supply of our raw materials and productivity of our employees were adversely affected. Our business operations had experience disruptions, such as the temporary suspension of our hotel operations and closing of our sales center. Revenue from our hotel operations decreased substantially by 41.5% from RMB36.6 million for the six months ended June 30, 2019 to RMB21.4 million (US\$3.0 million) for the six months ended June 30, 2020. To mitigate the negative impact on our property sales business, we proactively launched online sales and promoted our properties through a number of social media platforms. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects. Since March 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, there can be no assurance that this recovery momentum will continue in the future.

Given the high uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may continue to be affected.

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

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

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

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

China’s economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the “Phase I Agreement”). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China’s economy and the real estate industry remains uncertain.

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

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

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

Our business and operations are primarily conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus temporarily named 2019-nCoV by the World Health Organization. See “– The COVID-19 pandemic has adversely affected, and may continue to adversely affect, the PRC economy and our business operations.”

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing 2019-nCoV epidemic, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the coronavirus outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

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. The PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Final judgments for civil and commercial cases and arbitral awards obtained in a recognized Hong Kong court or Hong Kong arbitral tribunal may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

Furthermore, an original action may be brought in the PRC against us or our Directors and senior management only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether the holders will be able to bring an original action in the PRC in this manner.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our Company and our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may service their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements.

Approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans or debt denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries.

The New Notes are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and denominated in Renminbi. The value of Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and PRC government policies, as well as the supply and demand in the local and international markets. From 1999 until 2005, the conversion of the Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was based on exchange rates set and published daily by PBOC in light of the previous day’s inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of the Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued the Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of the Renminbi appreciated by more than 2% on that day. Since then, PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. Further, from 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 allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. In June 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase flexibility and on April 16, 2012 the band was expanded to 1.0% and further revised to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi significantly appreciating against the U.S. dollar. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. 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 Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar denominated indebtedness and other obligations. Since our income and profits are denominated in Renminbi, any appreciation of the Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of the Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness

in foreign currency. As of June 30, 2020, we did not enter into foreign exchange capped forward contracts or foreign currency swap transactions to hedge foreign exchange risk. We may enter into hedging agreements in the future to manage our exposure to foreign exchange rate risk as appropriate. If we enter into such agreements, there can be no assurance that such agreements could effectively hedge our foreign exchange rate risk.

We may incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On July 20, 2018, China's Central Committee and the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (the "**Taxation Collection Reform Plan**"). Set to take effect on January 1, 2019, the plan places the responsibility of calculating and collecting social insurance premiums solely with the tax bureau, which is expected to improve social insurance compliance since the tax bureau is better resourced to monitor and collect contributions. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain. We may incur additional cost to comply with this new plan and may be required by the tax bureau to make additional social insurance contributions, which may have a material adverse impact on our business, financial condition and results of operations.

PRC regulation of loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from providing loans or making additional capital contributions to our PRC operating subsidiaries.

Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans to a foreign-invested enterprise to finance its activities cannot exceed statutory limits, i.e. the difference between the registered capital and the approved investment amount of such subsidiary, and must be registered with the State Administration of Foreign Exchange in China (the "SAFE") or its local counterpart. Loans by us to domestic PRC enterprises must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterpart. However, any loans by us to these foreign-invested real estate enterprises of our domestic PRC enterprises cannot be registered with SAFE.

On March 30, 2015, the SAFE issued the Circular on Reforming the Management Approach Concerning the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (Hui Fa [2015] No. 19) (關於改革外商投資企業外匯資本金結匯管理方式的通知) (匯發[2015]19號) ("SAFE Circular No. 19"), effective as of June 1, 2015 and amended on September 6, 2016. Although SAFE Circular No. 19 allows for the use of Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC, the capital of foreign-invested enterprises and capital in Renminbi obtained by them from foreign exchange settlement shall not be used for the converted Renminbi for purposes beyond the business scope, for entrusted loans (unless permitted by the scope of business) or for inter-company Renminbi loans.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our direct or indirect PRC subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

Failure to comply with the SAFE regulations relating to registration of interests by our PRC resident beneficial owners may adversely affect our business operations.

On October 21, 2005, the SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-trip Investment via Special Purpose Offshore Companies (Hui Fa [2005] No. 75) (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (匯發[2005]75號) ("Notice No. 75"). On July 4, 2014, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles (Hui Fa [2014] No. 37) (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) (匯發[2014]37號), ("Notice No. 37"), which replaced the Notice No. 75. Pursuant to Notice No. 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this Notice as a

“special purpose vehicle.” Under Notice No. 37, the term “PRC institutions” refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term “PRC individual residents” includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefits. A registered special purpose vehicle is required to timely update its SAFE registration in the event of any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident’s increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The SAFE simultaneously issued a series of guidance to its local branches with respect to the implementation of Notice No. 37, including the Operating Guideline for Relevant Business of Foreign Exchange Administration over Round-trip Investment. In the event that a PRC resident with a direct or indirect stake in a special purpose offshore company fails to make or update the required SAFE registration, the PRC subsidiaries of such special purpose offshore company may be prohibited from distributing their profits to their offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries, and the offshore parent’s ability to contribute additional capital or provide loans, whether using the proceeds from this offering or otherwise, would be impaired. In addition, failure to comply with SAFE registration requirements as described above may also result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

These regulations apply to the beneficial owners of the Company who are PRC residents. Failure to file any amendment registration in the future by our Controlling Shareholder may result in restrictions by SAFE on the abilities of our PRC subsidiaries to distribute their profits to us, which could have a material adverse effect on our abilities to perform our obligations under the New Notes, including but not limited to, payment of the principal, interest and any other amounts under the New Notes, and on the abilities of us to contribute additional capital or provide loans to our PRC subsidiaries, which could have a material adverse effect on our business, financial condition and results of operations. If our PRC subsidiaries transfer funds as dividends outside of the PRC to us or if we transfer funds as capital contributions or loans into the PRC to our PRC subsidiaries without completion of the required amendment registration, such PRC beneficial owners or our PRC subsidiaries may be subject to fines and sanctions under relevant SAFE regulations.

We may be treated as a PRC tax resident, which may have an adverse effect on us and the holders of Notes.

Under the EIT Law, if an enterprise is incorporated outside the PRC but its “actual management organization” is located within the PRC, such enterprise may be treated as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its global income. The Implementation Rules of the Enterprise Income Tax Law defined the “actual management organization” as an organization actually managing and controlling an enterprise’s production, operation, personnel, finance and assets. If the PRC tax authorities determine that our overseas holding company or any other non-PRC entities are “PRC resident enterprises” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we would be subject to enterprise income tax at a rate of 25% on our global taxable income as well as PRC enterprise income tax reporting obligations. In addition, although under the EIT Law and its Implementing Rules, dividend income between qualified PRC resident enterprises is tax-exempted, it is not clear how the term qualified PRC resident enterprise is defined under the EIT Law and whether we will be able to enjoy such exemption if we are treated as a PRC resident enterprise. In addition, if interest paid on the Note to our non-PRC enterprise Note holders or gains derived by our non-PRC enterprise Note holders from transferring the New Notes are treated by the PRC taxation authorities as income derived from sources within the PRC, such interest and gains may be subject to a 10% tax (which, in the case of interest or premium (if any), may be withheld by us). Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to PRC income tax (which, in the case of interest or premium (if any), may be withheld by us) at a rate of 20%. Any such PRC tax may be reduced under applicable tax treaties. However, it is unclear whether in practice non-PRC resident Note holders are able to obtain the benefit of income tax treaties entered into by and between the PRC and their countries. In addition, it is possible that interest payments could also be subject to PRC VAT as described in “Taxation – PRC Taxation – VAT.”

If we were treated as a PRC resident enterprise and were required to withhold PRC tax on payments of interest, we would be required to withhold PRC tax on interest payable to certain of our non-resident Note holders and pay, subject to certain exceptions, additional amounts with respect to such withholding, which may have an adverse effect on our cash flows. If we fail to perform such withholding obligation, we may be subject to substantial fines, which could have an adverse effect on our results of operations.

We face uncertainty with respect to transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the State Administration of Taxation promulgated the Announcement of Certain Issues on Enterprise Income Tax Regarding Indirect Transfer of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (國家稅務總局公告2015年第7號) (the “Announcement 7”). Pursuant to Announcement 7, an “indirect transfer” of assets of a PRC resident enterprise, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such transaction arrangement lacks a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Announcement 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity interests in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. In respect of an indirect transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. If the underlying transfer relates to immovable properties located in China or to equity interests in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to preferential tax treatment under applicable tax treaties or similar arrangements, if any, and the party who is obligated to make payments for the transfer has a withholding obligation. Although Announcement 7 does not apply to share transfers of publicly traded companies, there is uncertainty as to the application of Announcement 7. We and our non-PRC resident investors may be at risk of being subject to tax filing or withholding obligations under Announcement 7 and we may be required to allocate significant resources to comply with Announcement 7 or to establish that we should not be taxed under Announcement 7 which may have a material adverse effect on our financial condition and results of operations.

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

Our affiliates and connected persons (as defined under the Listing Rules) are expected to own approximately 74.19% of the New Notes to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the New Notes. Additionally, this may reduce the liquidity of the New Notes in the secondary trading market.

Our affiliates and connected persons (as defined under the Listing Rules) are expected to own approximately 74.19% of the New Notes being offered under this offering memorandum. Any holder that holds a significant portion of the New Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the New Notes. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the New Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee for the New Notes or exercising any trust or power conferred on it. Further, as described in “Description of the New Notes – Amendments and Waivers,” the Indenture, the New Notes, the Subsidiary Guarantee and the JV Subsidiary Guarantee (if any) may be amended with the consent of the holders of a majority in aggregate principal amount of the New Notes, and any Default or Event of Default or compliance with any provision of the Indenture, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) may be waived with the consent of the holders of a majority in aggregate principal amount of the outstanding Notes, subject in each case to certain exceptions. Accordingly, any holder that holds a majority in aggregate principal amount of outstanding Notes will be able to exercise such rights and powers on behalf of all holders of the New Notes and control the outcome of votes on such matters. Holders of at least 25% in aggregate principal amount of the New Notes may also declare all of the New Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

The existence of any such significant holder may reduce the liquidity of the New Notes in the secondary trading market. Additionally, interests of such holders, which may include our affiliates, may be in conflict with the interest of other holders of the New Notes. If such holder sells a material portion of the New Notes in the secondary market, it may materially and adversely affect the trading price of the New Notes. The negative effect of such sales on the prices of the New Notes could be more pronounced if secondary trading in the New Notes is limited or illiquid.

The New Notes and the Subsidiary Guarantees are effectively subordinated to our existing and future secured indebtedness.

The New Notes and the Subsidiary Guarantees are unsecured obligations of the Issuer and each Subsidiary Guarantor, respectively, and are effectively subordinated to all of the Issuer's and each Subsidiary Guarantor's existing and future secured indebtedness and other secured obligations to the extent of the value of the assets securing such indebtedness and other obligations. As a result, in the event of any liquidation, insolvency, dissolution, reorganization or similar proceeding relating to us or our property, holders of any secured indebtedness of ours will have claims that are prior to the claims of any noteholder with respect to the assets securing such secured indebtedness.

As of the date of this offering memorandum, the Issuer and the Subsidiary Guarantors had approximately HK\$734,000,000 of outstanding secured indebtedness incurred under the Syndicated Loan Agreement. See "Description of Other Material Indebtedness" for details. If we defaulted on our obligations under any of our existing and/or future secured debt, our secured creditors would be entitled to foreclose on our assets securing that indebtedness and liquidate those assets. If any secured indebtedness were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness, including the amounts due on the New Notes.

In addition, upon any distribution of assets pursuant to any liquidation, insolvency, dissolution, reorganization or similar proceeding, the holders of our secured indebtedness will be entitled to receive payment in full from the proceeds of the collateral securing such secured indebtedness before the holders of the New Notes will be entitled to receive any payment with respect thereto. As a result, the holders of the New Notes may recover disproportionately less than the holders of secured indebtedness, and it is possible that there will be no assets from which claims of holders of the New Notes can be satisfied or, if any assets remain, that the remaining assets will be insufficient to satisfy those claims in full.

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

Although the "Limitation on Liens" covenant as described under the "Description of the New 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 New Notes, such restriction is subject to important exceptions and qualifications. The terms of the New 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 New 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 New 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 New 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 New Notes. The New 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 are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The New 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. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. Accordingly, our ability to pay principal and interest on the New 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 New Notes. As a result, our payment obligations under the New 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 New Notes. As of June 30, 2020, our Non-Guarantor Subsidiaries had total debt in the amount of RMB2,523.9 million (US\$357.2 million), capital commitments in the amount of RMB2,017.8 million (US\$285.6 million) and contingent liabilities arising from guarantees in the amount of nil. The New 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 New Notes.

Under the terms of the New 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 New 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 New 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 New Notes, a substantial amount of indebtedness. As of June 30, 2020, our total borrowings included in non-current borrowings and current borrowings were RMB1,841.0 million (US\$260.6 million) and RMB2,247.4 million (US\$318.1 million), respectively. We incurred further indebtedness after June 30, 2020. As of September 30, 2020, our total outstanding external borrowings amounted to approximately RMB4,262.7 million (US\$603.3 million).

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

- limit our ability to satisfy our obligations under the New 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 New 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, including among others, Indebtedness that is secured by an amount equal to the proceeds of this Notes offering, 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 New 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 New Notes, excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. For example, we may not be able to satisfy the Fixed Charge Coverage Ratio requirement for ratio debt immediately after the issuance of the New 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 New Notes and other debt.

The Renminbi is not a freely convertible currency.

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

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

We must offer to purchase the New 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 New 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 New 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 New Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture governing the New Notes does not necessarily afford protection for the holders of the New 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 New 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 New Notes and the ability of a holder of the New 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 New Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the New Notes.

The terms of the New 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 New 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 30% of our total assets. See paragraph (17) of the definition of “Permitted Investment” in “Description of the New Notes.”

The terms of the New 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 New Notes, we are not restricted from paying any cash dividend of up to US\$30.0 million for the fiscal year 2019. In addition, we may pay dividends on our common stock in an aggregate amount up to 30% 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 New Notes.

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

As set forth in “Description of the New Notes – Optional Redemption,” the New 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 New 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 New 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 New 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 New 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 New Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

The New Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the SEHK for the listing and quotation of the New Notes on the SEHK, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. If such a market were to develop, the New 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 New 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 New 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 New 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 New Notes will develop or be sustained.

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

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with the Listing Rules, 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 New 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 New 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 New Notes for any such transactions.

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

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

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

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

The price and trading volume of the New 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 New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New Notes. We cannot assure you that these developments will not occur in the future.

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

In certain circumstances, the Trustee may (at its sole and absolute discretion) request holders of the New 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 New 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 HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and U.S. GAAP or between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between IFRS and U.S. GAAP or between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

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

For so long as the New 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 New 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 New Notes are accustomed to.

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 New 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 New Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New 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 New 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 New 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 New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The New 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 New 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 New 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 New Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the New 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 New Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the New 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 New 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 New 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 New 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 New Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the New Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 25% of our total assets. As a result, the New 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 New 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 New 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 New 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 New 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 shares or Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 25% 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 New Notes. See “– Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

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

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

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

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

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

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

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

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the New 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 New 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\$17.5 million, which we plan to use to acquire or develop property projects, refinance existing indebtedness and for general corporate purposes.

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

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was widened to 1.0% on April 16, 2012 and further revised to 2.0% on March 17, 2014. From July 21, 2005 to June 30, 2014, the value of the Renminbi appreciated by approximately 30% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2015.....	6.4778	6.2869	6.4896	6.1870
2016.....	6.9430	6.6549	6.9580	6.9430
2017.....	6.5063	6.7530	6.9575	6.4773
2018.....	6.8755	6.6292	6.9737	6.2649
2019.....	6.9618	6.9014	7.1786	6.6822
2020				
June.....	7.0651	7.0816	7.1263	7.0575
July.....	6.9744	7.0041	7.0703	6.9744
August.....	6.8647	6.9310	6.9799	6.8647
September.....	6.7896	6.8106	6.8474	6.7529
October.....	6.6919	6.7254	6.7898	6.6503
November.....	6.5750	6.6044	6.6899	6.5556
December.....	6.5250	6.5393	6.5705	6.5208
2021				
January (though 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 the monthly average rate, which is determined by averaging the daily rates during the month.

HONG KONG

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

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

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

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				
June.....	7.7501	7.7501	7.7514	7.7498
July.....	7.7500	7.7509	7.7538	7.7499
August.....	7.7502	7.7502	7.7506	7.7498
September.....	7.7500	7.7500	7.7504	7.7499
October.....	7.7548	7.7503	7.7548	7.7498
November.....	7.7508	7.7526	7.7552	7.7505
December.....	7.7534	7.7519	7.7539	7.7505
2021				
January (though 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 the monthly average rate, which is determined by averaging the daily rates during the month.

CAPITALIZATION AND INDEBTEDNESS

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

	As of June 30, 2020			
	Actual		As adjusted	
	RMB	US\$	RMB	US\$
	(In thousands)			
Cash and cash equivalents	1,136,050	160,797	1,259,689	178,297
Current				
Bank borrowings				
– secured	311,683	44,116	311,683	44,116
– unsecured	1,199,160	169,730	1,199,160	169,730
Current portion of non-current borrowings.....	736,575	104,255	736,575	104,255
Notes to be issued ⁽¹⁾	–	–	123,639	17,500
Total current borrowings	2,247,418	318,101	2,371,057	335,601
Non-current				
Bank borrowings				
– secured	2,577,620	364,838	2,577,620	364,838
– unsecured	–	–	–	–
Less: current portion of non-current borrowings...	(736,575)	(104,255)	(736,575)	(104,255)
Total non-current borrowings	1,841,045	260,583	1,841,045	260,583
Total equity	2,855,838	404,218	2,855,838	404,218
Total capitalization ⁽²⁾	4,696,883	664,801	4,696,883	664,801

Notes:

- (1) In accordance with HKFRS, the New Notes should be recorded at fair value net of transaction costs incurred upon initial recognition, which may be substantially different from the aggregate principal amount of the New Notes. For illustrative purpose only, the New Notes have been recorded at the aggregate principal amount, before deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering, in the “As adjusted” column of the table above.
- (2) Total capitalization equals total non-current borrowings plus total equity.

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

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 financial position data as of December 31, 2017, 2018 and 2019 and June 30, 2020 set forth below (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our historical financial information for such years or periods and as of such dates, set forth in the accountant's report issued by PricewaterhouseCoopers, our independent auditor, and the audited consolidated financial statements as of and for the year ended December 31, 2019 and the unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 included elsewhere in this offering memorandum. Our financial information have been prepared and presented in accordance with HKFRS issued by the HKICPA, which differ in certain respects from generally accepted accounting principles in other jurisdictions. Our historical financial information as of and for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019 have been audited by PricewaterhouseCoopers in accordance with HKSIR 200 issued by the HKICPA, and the consolidated financial statements as of and for the year ended December 31, 2019 has been audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and the financial information for the six months ended June 30, 2020 has been reviewed by PricewaterhouseCoopers in accordance with HKSRE 2410 issued by the HKICPA. Consequently the unaudited financial information for the six months ended June 30, 2020 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. 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. Results for interim periods are not indicative of results for the full year. Historical results are not necessarily indicative of results that may be achieved in any future period.

SELECTED CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(In thousands, except for percentages)						
	(Unaudited)				(Unaudited)		
Revenue	838,259	1,328,887	2,402,810	340,096	762,404	924,694	130,882
Cost of sales	(568,089)	(816,297)	(1,258,578)	(178,140)	(366,046)	(520,145)	(73,622)
Gross profit	270,170	512,590	1,144,232	161,956	396,358	404,549	57,260
Selling and marketing expenses	(44,499)	(74,225)	(131,046)	(18,548)	(40,787)	(39,689)	(5,618)
Administrative expenses	(66,386)	(124,768)	(162,938)	(23,062)	(71,990)	(62,909)	(8,904)
Net impairment (losses)/reversal on financial assets	-	-	(236)	(33)	78	(569)	(81)
Other income	721	1,276	3,731	528	638	1,590	225
Other expenses	(2,858)	(2,759)	(3,098)	(438)	(1,204)	(3,729)	(528)
Other gains – net	36,618	230,570	61,021	8,637	61,865	(9,131)	(1,292)
Operating profit/(loss)	193,766	542,684	911,666	129,038	344,958	290,112	41,063
Finance costs	(10,537)	-	(14,219)	(2,013)	-	(15,086)	(2,135)
Finance income	971	649	15,605	2,209	452	14,305	2,025
Finance income/(costs) – net	(9,566)	649	1,386	196	452	(781)	(111)
Share of results of a joint venture	-	(2,781)	(158)	(22)	(158)	-	-
Share of results of associates	(792)	(1,282)	(1,387)	(196)	(650)	39,645	5,611
Profit/(loss) before income tax	183,408	539,270	911,507	129,015	344,602	328,976	46,564
Income tax expense	(97,330)	(157,511)	(416,590)	(58,964)	(163,427)	(134,881)	(19,091)
Profit/(loss) for the year/period	86,078	381,759	494,917	70,051	181,175	194,095	27,472
Profit/(loss) attributable to:							
Owners of the Company	89,789	386,486	501,517	70,985	185,003	196,906	27,870
Non-controlling interests	(3,711)	(4,727)	(6,600)	(934)	(3,828)	(2,811)	(398)
	86,078	381,759	494,917	70,051	181,175	194,095	27,472
Other comprehensive (loss)/income for the year/period							
Items that may be reclassified to profit or loss							
– Currency translation differences	35,356	(24,550)	(29,399)	(4,161)	(6,574)	(7,206)	(1,020)
Other comprehensive (loss)/income for the year/period, net of tax	35,356	(24,550)	(29,399)	(4,161)	(6,574)	(7,206)	(1,020)
Total comprehensive income/(loss) for the year/period ..	121,434	357,209	465,518	65,890	174,601	186,889	26,452
Total comprehensive income/(loss) attributable to:							
Owners of the Company	125,145	361,936	472,118	66,824	178,429	189,700	26,850
Non-controlling interests	(3,711)	(4,727)	(6,600)	(934)	(3,828)	(2,811)	(398)
	121,434	357,209	465,518	65,890	174,601	186,889	26,452
Earnings per share (expressed in RMB per share)							
– Basic and diluted earnings per share	29,930	128,829	0.41	0	61,668	0.12	0
Other Financial Data (Unaudited)							
EBITDA ⁽¹⁾	183,754	353,592	900,376	127,440	307,824	343,220	48,580
EBITDA margin ⁽²⁾	21.9%	26.6%	37.5%	37.5%	40.4%	37.1%	37.1%

Notes:

- (1) The calculation of earnings before interest, taxation, depreciation and amortisation (“EBITDA”) excluded fair value gains on investment properties, gains on disposal of subsidiaries and non-recurring income/expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the New Notes. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation – Non-HKFRS Financial Measures*” for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Also see “*Description of the New Notes – Definitions*” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the New 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)				(Unaudited)	(Unaudited)
Non-current assets						
Property, plant and equipment.....	339,133	330,837	320,264	45,330	314,223	44,475
Right-of-use assets.....	266,247	262,703	260,377	36,854	261,664	37,036
Investment properties	173,178	184,275	187,703	26,568	188,033	26,614
Intangible assets.....	1,249	1,854	2,582	365	2,536	359
Other receivables and prepayments	13,155	12,969	12,929	1,830	12,839	1,817
Deferred income tax assets	78,260	128,899	126,131	17,853	141,321	20,003
Investment in a joint venture	–	20,559	–	–	–	–
Investment in associates.....	36,608	35,326	29,653	4,197	66,225	9,374
Total non-current assets	907,830	977,422	939,639	132,997	986,841	139,678
Current assets						
Inventories	1,713	1,816	1,645	233	1,560	221
Contract costs	36,620	47,745	23,148	3,276	25,835	3,657
Properties under development	2,150,046	3,221,273	3,955,015	559,796	4,365,094	617,839
Completed properties held for sale	221,038	535,301	1,772,134	250,829	1,498,668	212,123
Trade and other receivables and prepayments	381,016	218,283	480,736	68,044	652,707	92,385
Prepaid taxes	137,579	147,602	56,962	8,062	81,984	11,604
Financial assets at fair value through profit or loss	50,800	600	–	–	6,400	906
Restricted cash	112,868	264,546	1,019,118	144,247	1,032,104	146,085
Cash and cash equivalents	297,662	218,881	956,933	135,445	1,136,050	160,797
Amounts due from related parties.....	162,696	980,702	7,759	1,098	7,897	1,118
Total current assets	3,552,038	5,636,749	8,273,450	1,171,031	8,808,299	1,246,734
Current liabilities						
Bank and other borrowings	437,414	439,436	1,923,102	272,197	2,247,418	318,101
Trade and other payables	2,189,698	3,900,146	2,553,385	361,408	2,311,458	327,166
Lease liabilities	3,431	2,120	3,743	530	4,421	626
Current income tax liabilities.....	58,542	85,466	234,465	33,186	258,652	36,610
Amounts due to related parties.....	629,293	1,120,133	50,000	7,077	–	–
Total current liabilities	3,318,378	5,547,301	4,764,695	674,399	4,821,949	682,503
Net current assets	233,660	89,448	3,508,755	496,632	3,986,350	564,231
Total assets less current liabilities	1,141,490	1,066,870	4,448,394	629,629	4,973,191	703,909
Non-current liabilities						
Deferred income tax liabilities	30,166	37,082	186,142	26,347	210,664	29,818
Bank and other borrowings	684,131	318,656	1,379,922	195,315	1,841,045	260,583
Lease liabilities	60,942	57,853	62,921	8,906	65,644	9,291
Total non-current liabilities	775,239	413,591	1,628,985	230,568	2,117,353	299,692
Net assets	366,251	653,279	2,819,409	399,061	2,855,838	404,218
Equity						
Equity attributable to owners of the parent						
Share capital.....	–	–	14,746	2,087	14,746	2,087
Other reserves	74,857	62,643	1,765,202	249,848	1,757,996	248,828
Retained earnings	119,001	486,661	939,006	132,908	985,452	139,482
	193,858	549,304	2,718,954	384,843	2,758,194	390,397
Non-controlling interests	172,393	103,975	100,455	14,218	97,644	13,821
Total equity	366,251	653,279	2,819,409	399,061	2,855,838	404,218

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

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

OVERVIEW

We are a property developer, operator and property management service provider based in the PRC and primarily offer residential properties in Guangdong and Hainan provinces. We have land resources in Guangdong, Hainan, Yunnan and Hunan provinces for our future development. We position ourselves as an "Eco-friendly and People-oriented Property Developer" (生態人文地產發展商), leveraging the natural resources, distinctive landscapes and features as well as rich culture of our selected project sites to develop homes and communities that we consider to be truly livable for our buyers. Ever since our incorporation in 2013, this positioning has been clear and we believe it is what differentiates our Group from other property developers in the PRC. As a young member of the industry, we had 11 completed project phases, six project phases under development and four of which had commenced pre-sale activities as of September 30, 2020, and held 15 project phases for our future development as of the same date.

For the years ended December 31, 2017, 2018 and 2019, our total revenue was RMB838.3 million, RMB1,328.9 million and RMB2,402.8 million (US\$340.1 million), respectively, representing a CAGR of 69.3%, while our profit for the years were RMB86.1 million, RMB381.8 million and RMB494.9 million (US\$70.1 million), respectively, representing a CAGR of 139.7% over the three years. Our revenue increased significantly from RMB762.4 million in the six months ended June 30, 2019 to RMB924.7 million (US\$130.9 million) in the six months ended June 30, 2020 mainly due to the increase in recognized revenue from sales of properties in the six months ended June 30, 2020. We recorded net profit of RMB194.1 million (US\$27.5 million) in the six months ended June 30, 2020 compared to net profit of RMB181.2 million in the six months ended June 30, 2019.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Economic conditions and market cycles in the PRC

We are a property developer based in the PRC that principally offers residential properties in Guangdong, Hainan, Yunnan and Hunan provinces. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, all of our revenue was derived from the PRC. Our revenue is greatly affected by the demand for our properties, which is directly affected by the economic conditions in the PRC. Economic growth may allow increase in disposable income of general households in the PRC which in turns may enhance the demand for the property market in the PRC as well as property pricing trends. Also, confidence of the customers will also be boosted when the economy in the PRC is surging which also in turn drives the increase in demand for the property market in the PRC. On the contrary, if the economic growth of the PRC declines, the market demand for our properties and our revenue is likely to be adversely affected.

Regulations of the property industry in the PRC

Our operation is subject to various policies and regulations of the property industry in the PRC set out in the section "Regulation". We are, in particular, sensitive to purchase restriction policy and other property related policy changes in the PRC, particularly in Hainan and Guangzhou. Any changes to the policies and regulations may impose possible restrictions on our operation and, thus, our financial performance and liquidity in case of any failure to promptly and effectively adapt to such changes. Also, we may incur extra costs as policies and regulations evolve in the future. This may increase our operating costs and, hence lower our profit. We expect the demand for our properties and our operating results will continue to be affected by the regulations of the property industry in the PRC.

Timing and length of property development

Our development of property generally takes several years to complete. Though pre-sale is allowed for our properties under development as long as it satisfies certain requirements, no revenue can be recognized for the respective properties until it is recognized in accordance to our accounting policy. As such, our cash flows and revenue recognition may vary from period to period and may not be matched when property is under development. Also, due to intensive capital requirements and limited supply of land, the projects undertaken during the same period of time is limited which may also affect the timing of cash flows and revenue recognition. With different property development schedules, we experienced fluctuations in our cash flows, revenue recognition and results of operation during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 and they are likely to fluctuate in the future.

Access to and cost of financing

Our operation of land acquisition and property development is capital intensive. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we generally funded our operations from our own internal funds from operation and external funds which is mortgage financing from banks and amounts due to/loans from related parties. The accessibility of bank borrowings depends on prevailing policies of the government or other regulatory bodies in the PRC, and implementation of the relevant policies by our financing banks on acquisition or construction of properties with bank financing. Our future expansion may be adversely affected in the event that we are not able to obtain sufficient financing for acquisition of new properties for development or investment should suitable opportunities arise. In addition, our bank borrowings carried variable interest rate in relation to our borrowings. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our total borrowing costs amounted to RMB57.8 million, RMB62.5 million, RMB130.4 million (US\$18.5 million) and RMB127.0 million (US\$18.0 million), respectively. Thus, any changes in interest rate may affect our cost of financing and, thus, our results of operation.

Ability to obtain and costs of land

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we mainly acquire land reserves through participating in public tenders, auctions and listings-for-sale organized by government authorities and acquiring equity interest in companies that hold land parcels that fit our selection criteria. We also plan to obtain development rights of collectively-owned construction land through entering into land use rights transfer agreements with collective economic organizations and completing relevant approval process. If we cannot acquire land at desirable location at prices acceptable to us, our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire land parcels for development in a timely manner or at prices that allow us to achieve reasonable return upon sales to our customers.

Our costs of land, included in the cost of sales of our consolidated statements of comprehensive income, amounted to RMB119.0 million, RMB189.8 million, RMB350.1 million (US\$49.6 million) and RMB53.7 million (US\$7.6 million) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing 23.9%, 25.6%, 30.0% and 11.1% of our total cost of properties sold for the respective year/period. Any significant increase in these costs may adversely affect our cost of properties sold rendered and lower our gross profit.

PRC land appreciation tax (“PRC LAT”)

Our sales of properties are subject to PRC LAT with respect to the appreciated value of the related lands and developments on such land. PRC LAT applies to both domestic and foreign invested real estate developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of value. We recorded PRC LAT expense of RMB56.9 million, RMB85.6 million, RMB229.0 million (US\$32.4 million) and RMB62.4 million (US\$8.8 million) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We have accrued all PRC LAT payable on our property sales and transfers in compliance with the relevant PRC LAT laws and regulations during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. However, the provision for PRC 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 PRC LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all PRC 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.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENT

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that are subject to change. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates and judgment on (i) fair value of investment properties; (ii) income taxes and deferred taxation; and (iii) PRC LAT, we have not noted material difference of our estimates from the actual results during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. In addition, we did not make any material change in the assumptions underlying such estimates during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. We do not currently expect the methodology and assumptions regarding such estimates to change in the foreseeable future.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

We have applied HKFRS 9 ‘Financial instruments’, HKFRS 15 ‘Revenue from contracts with customers’ and HKFRS 16 ‘Leases’ consistently during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Based on our assessment of these new standards, we did not identify any significant impact on our financial position and performance.

RESULTS OF OPERATIONS

The following table summarizes the consolidated statements of comprehensive income from the financial statements for the periods indicated.

	Years ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	RMB'000	%	RMB'000	%	RMB'000	US\$	%	RMB'000	%	RMB'000	US\$	%
	(Unaudited)						(Unaudited) (Unaudited)					
	(In thousands, except for percentages)											
Revenue.....	838,259	100.0	1,328,887	100.0	2,402,810	340,096	100.0	762,404	100.0	924,694	130,882	100.0
Cost of sales	(568,089)	(67.8)	(816,297)	(61.4)	(1,258,578)	(178,140)	(52.4)	(366,046)	(48.0)	(520,145)	(73,622)	(56.3)
Gross profit	270,170	32.2	512,590	38.6	1,144,232	161,956	47.6	396,358	52.0	404,549	57,260	43.7
Selling and marketing expenses	(44,499)	(5.3)	(74,225)	(5.6)	(131,046)	(18,548)	(5.5)	(40,787)	(5.3)	(39,689)	(5,618)	(4.3)
Administrative expenses.....	(66,386)	(7.9)	(124,768)	(9.4)	(162,938)	(23,062)	(6.8)	(71,990)	(9.4)	(62,909)	(8,904)	(6.8)
Net impairment losses on financial assets	-	-	-	-	(236)	(33)	(0.0)	78	0.0	(569)	(81)	(0.0)
Other income.....	721	0.1	1,276	0.1	3,731	528	0.2	638	0.1	1,590	225	0.2
Other expenses	(2,858)	(0.4)	(2,759)	(0.2)	(3,098)	(438)	(0.1)	(1,204)	(0.2)	(3,729)	(528)	(0.4)
Other gains – net	36,618	4.4	230,570	17.3	61,021	8,637	2.5	61,865	8.1	(9,131)	(1,292)	(1.0)
Operating profit (loss)	193,766	23.1	542,684	40.8	911,666	129,038	37.9	344,958	45.2	290,112	41,063	31.4

	Years ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	RMB'000	%	RMB'000	%	RMB'000	US\$	%	RMB'000	%	RMB'000	US\$	%
	(Unaudited)						(Unaudited) (Unaudited)					
	(In thousands, except for percentages)											
Finance costs.....	(10,537)	(1.2)	-	-	(14,219)	(2,013)	(0.6)	-	-	(15,086)	(2,135)	(1.6)
Finance income.....	971	0.1	649	0.1	15,605	2,209	0.6	452	0.1	14,305	2,025	1.5
Finance income/(costs), net..	(9,566)	(1.1)	649	0.1	1,386	196	0.0	452	0.1	(781)	(111)	(0.1)
Share of results of a joint venture	-	-	(2,781)	(0.2)	(158)	(22)	(0.0)	(158)	(0.0)	-	-	-
Share of results of associates	(792)	(0.1)	(1,282)	(0.1)	(1,387)	(196)	(0.0)	(650)	(0.1)	39,645	5,611	4.3
Profit (loss) before income tax.....	183,408	21.9	539,270	40.6	911,507	129,015	37.9	344,602	45.2	328,976	46,564	35.6
Income tax expense.....	(97,330)	(11.6)	(157,511)	(11.9)	(416,590)	(58,964)	(17.3)	(163,427)	(21.4)	(134,881)	(19,091)	(14.6)
Profit (loss) for the year/period	86,078	10.3	381,759	28.7	494,917	70,051	20.6	181,175	23.8	194,095	27,472	21.0

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue represents revenue from (i) sale of properties, (ii) hotel operations; (iii) property leasing; and (iv) property management services which are all derived in the PRC. Our revenue amounted to RMB838.3 million, RMB1,328.9 million, RMB2,402.8 million (US\$340.1 million) and RMB924.7 million (US\$130.9 million), respectively, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

The following table sets forth, for the periods indicated, the breakdown of our revenue by segment:

	Years ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	RMB'000	%	RMB'000	%	RMB'000	US\$	%	RMB'000	%	RMB'000	US\$	%
	(Unaudited)						(Unaudited) (Unaudited)					
	(In thousands, except for percentages)											
Property development and sales.....	783,406	93.4	1,245,754	93.7	2,290,345	324,177	95.3	712,535	93.5	884,702	125,221	95.7
Hotel operations.....	46,084	5.5	66,589	5.0	73,833	10,450	3.1	36,559	4.8	21,380	3,026	2.3
Commercial property investment.....	5,626	0.7	10,021	0.8	24,219	3,428	1.0	7,718	1.0	10,960	1,551	1.2
Property management	3,143	0.4	6,523	0.5	14,413	2,040	0.6	5,592	0.7	7,652	1,083	0.8
Total.....	838,259	100.0	1,328,887	100.0	2,402,810	340,096	100.0	762,404	100.0	924,694	130,882	100.0

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue from property development and sales were derived from properties located in Guangzhou, Lingshui and Zhongshan. Revenues are recognized when or as the control of the asset is transferred to the customer.

Consistent with industry practice, we generally enter into provisional sale and purchase agreements with our customers in relation to our property development business in the development stage of our properties, and thus, pre-sale commenced in compliance with the applicable PRC laws and regulations. Deposits and installments received from our customers prior to meeting the criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

Our revenue generated from property development and sales is mainly affected by the GFA of our properties sold and their respective ASP. The ASP is generally affected by a number of factors mainly included the type of building, locations, market condition and demand and costs of development. As a result, our recognized ASP is mainly affected by the different types of properties delivered during the financial year.

Our revenue from property development and sales increased during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, mainly due to increase in total GFA delivered. The increase in overall recognized ASP per sq.m. from 2017 to 2018 was mainly due to sales of JY Clearwater Bay No. 3 Phase III, which entailed a relatively higher recognized ASP than that of JY Lychee Town Phase I. The further increase of overall recognized ASP per sq.m. from 2018 to 2019 was mainly due to sales of JY Clearwater Bay No. 3 Phase VI and VII, which entailed a relatively higher recognized ASP. The overall recognized ASP per sq.m. in the six months ended June 30, 2020 remained stable as compared to that of the six months ended June 30, 2019.

Hotel operations

Apart from our core business, we also operate Just Stay Hotel and Just Stay Resort under our hotel operations business starting from the years ended December 31, 2016 and 2017, respectively. Our revenue from hotel operations include leasing of our hotel rooms, revenue from our self-operated restaurants and food and beverage outlets, and revenue from operations of hot spring facilities. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue from hotel operations services were RMB46.1 million, RMB66.6 million, RMB73.8 million (US\$10.5 million) and RMB21.4 million (US\$3.0 million), respectively.

Our revenue generated from hotel operations is mainly affected by the total room available of our customers, occupancy rates and their respective room rate. Our revenue from hotel operations increased during the years ended December 31, 2017, 2018 and 2019 mainly due to the commencement of business of our Just Stay Resort in the year ended December 31, 2017 and increase in revenue from it in the year ended December 31, 2018. Our revenue from hotel operations nevertheless decreased in the six months ended June 30, 2020, in comparison to in the six months ended June 30, 2019, mainly due to the impact of the COVID-19.

Commercial property investment

Other than holding properties for development and sales, we also own commercial properties for investment purposes. The following table sets forth, for the periods indicated, the breakdown of our revenue from commercial property investment generated from different property types:

	Year ended December 31,		2019		Six months ended June 30,		2020	
	2017	2018	RMB'000	%	RMB'000	%	RMB'000	%
Commercial building.....	4,945	9,801	24,153	99.7	7,693	99.7	10,960	100.0
Others ^(Note)	681	220	66	0.3	25	0.3	—	—
Total.....	5,626	10,021	24,219	100.0	7,718	100.0	10,960	100.0

Note: Others mainly included short-term leasing of certain space in the factory acquired for future development.

Our revenue generated from commercial property investment is mainly affected by the total leased GFA and their respective average rental. Our revenue from commercial property investment increased mainly due to increase in total GFA leased.

Property management

Since January 1, 2016, we also derived income from our property management provided to purchasers of the residential properties we developed. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue from property management services were RMB3.1 million, RMB6.5 million, RMB14.4 million (US\$2.0 million) and RMB7.7 million (US\$1.1 million), respectively.

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our property management services generally include security, cleaning, gardening, car park management and repair and maintenance services. We charged a range of RMB2.2 per sq.m. per month to RMB5.8 per sq.m. per month for different types of properties. Our revenue from property management services is mainly affected by the total GFA managed by us and their respective types of properties. As our management services is charged based on certain amount per sq.m., our revenue from property management services increased mainly due to increase during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 in total GFA of the properties we provided property management services.

Cost of sales

Our cost of sales comprise (i) cost of properties sold which is directly associated with the revenue from the property development and sales during the respective year; (ii) costs in relation to the hotel operations; (iii) costs in relation to commercial property investment which is directly associated with rental income derived from our investment properties such as property maintenance expenses; and (iv) costs directly attributable to the provision of property management.

The following table sets out the breakdown of our cost of sales by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	RMB	%	RMB	%	RMB	US\$	%	RMB	%	RMB	US\$	%
	(Unaudited)						(Unaudited)		(Unaudited)		(Unaudited)	
	(In thousands, except for percentages)											
Property development and sales.....	497,920	87.6	742,021	90.9	1,166,084	165,049	92.7	322,283	88.0	483,666	68,458	93.0
Hotel operations.....	64,976	11.5	66,168	8.1	70,447	9,971	5.6	36,359	10.0	26,722	3,782	5.1
Commercial property investment.....	1,184	0.2	1,068	0.1	3,833	542	0.3	456	0.1	1,277	181	0.3
Property management.....	4,009	0.7	7,040	0.9	18,214	2,578	1.4	6,948	1.9	8,480	1,200	1.6
Total.....	<u>568,089</u>	<u>100.0</u>	<u>816,297</u>	<u>100.0</u>	<u>1,258,578</u>	<u>178,140</u>	<u>100.0</u>	<u>366,046</u>	<u>100.0</u>	<u>520,145</u>	<u>73,621</u>	<u>100.0</u>

Property development and sales

Our cost of property development and sales is our main cost of sales, accounting for 87.6%, 90.9%, 92.7% and 93.0% of our total cost of sales for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, which mainly include construction cost, land cost and capitalized interest expense.

Consistent with industry practice, we generally recognize its costs when the respective revenue from sale of properties have been recognized in accordance with our accounting policies. Costs incurred during development stage prior to meeting the evidence for recognition are included in the consolidated statements of financial position under properties under development, while the costs of properties which were unsold as of reporting date are included in the consolidated statements of financial position under completed properties held for sale.

Construction cost

Our construction cost includes all costs incurred for the construction of JY Lychee Town Phase I, II, JY Hot Spring Villas and JY Clearwater Bay No. 3 Phase I, Phase II and Phase III, including payments to third party contractors for construction works such as material costs and labor costs. In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our construction cost amounted to RMB338.9 million, RMB503.8 million, RMB706.0 million (US\$99.9 million) and RMB372.3 million (US\$52.7 million), respectively, which accounted for 68.1%, 67.9%, 60.5%, and 77.0% of our cost of properties sold for the respective year.

Land cost

Our land cost mainly comprises costs in relation to the acquisition of land. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the costs recognized were mainly for our JY Lychee Town Phase I, II, JY Hot Spring Villas, JY Clearwater Bay No. 3 and JY Gaoligong Town Phase 1.

Capitalized interest expense

Our capitalized interest expense represents the cost of borrowings to the extent that such cost is directly attributable to the acquisition of land and construction of our properties during the period which incurred until the completion of assets refinement. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our capitalized interest expense amounted to RMB24.7 million, RMB33.9 million, RMB34.0 million (US\$4.8 million) and RMB19.9 million (US\$2.8 million), respectively.

Business taxes and other levies

Our business taxes and other levies directly attributable to our revenue are recognized as cost of sales during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Pursuant to the “Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax” (“Cai Shui 2016 No. 36”) jointly issued by the Ministry of Finance and the State Administration of Taxation, our PRC subsidiaries are subject to value added tax (“VAT”) on their revenue from property development and sales instead of business tax since May 1, 2016, while the business tax was 5% before then. For all the properties pre-sold before the issue of such arrangement, business tax of 5% was applicable to the revenue. Since the proportion of properties delivered, which are subject to the business tax instead of the VAT, gradually decreased since December 31, 2017, the total business tax and other levies accounted for a decreasing percentage of our total cost of sales. The absolute amount of our business taxes and other levies also decreased from 2017 to 2019. The absolute amount of business tax and levies increased in the six months ended June 30, 2020 mainly due to increase in sales of properties.

Hotel operations

Our operating cost of hotel operations comprised of cost of food and beverages in all our restaurants and food and beverage outlets and other hotel facilities maintenance. The operating costs decrease in the six months ended June 30, 2020 as compared to that of June 30, 2019, mainly due the outbreak of COVID-19.

Commercial property investment

Our operating cost of commercial property investment primarily included all cost in relation to leasing such as property maintenance expenses.

Property management

Our operating cost of property management primarily included staff cost for providing such services, such as security. Such costs increased as a result of increase in manpower and resources involved in more properties which we provided such services for.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2017		2018		2019		2019		2020			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit		Gross profit	Gross profit margin	Gross profit		Gross profit margin	
	RMB	%	RMB	%	RMB	US\$	RMB	%	RMB	US\$	%	
	(Unaudited)						(Unaudited)					
	(In thousands, except for percentages)											
Property development and sales	285,486	36.4	503,733	40.4	1,124,259	159,129	49.1	390,252	54.8	401,036	56,763	45.3
Hotel operations	(18,892)	-	421	0.6	3,385	479	4.6	200	0.5	(5,342)	(756)	-
Commercial property investment.....	4,442	79.0	8,953	89.3	20,389	2,886	84.2	7,262	94.1	9,683	1,371	88.3
Property management....	(866)	-	(517)	-	(3,801)	(538)	-	(1,356)	-	(828)	(117)	-
Total/overall	<u>270,170</u>	<u>32.2</u>	<u>512,590</u>	<u>38.6</u>	<u>1,144,232</u>	<u>161,956</u>	<u>47.6</u>	<u>396,358</u>	<u>52.0</u>	<u>404,549</u>	<u>57,261</u>	<u>43.7</u>

In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gross profit amounted to RMB270.2 million, RMB512.6 million, RMB1,144.2 million (US\$162.0 million) and RMB404.5 million (US\$57.3 million), respectively. The respective gross profit margin was 32.2%, 38.6%, 47.6% and 43.7%, respectively. The increase in our gross profit margin was mainly attributable to increase in gross profit margin from our property development and sales.

Our gross profit margin for any given period is affected by, among other things, the recognized ASP of the projects contributing to our revenue in such period. The recognized ASP of a project is in turn affected by, among other things, general economic condition, performance of property market, as well as the type, quality and location of the project. Past financial performance may not be an indicator for future financial performance. Our gross profit margin is expected to vary from period to period and may deviate significantly from previous levels.

In particular, our gross profit margin from our property development and sales decreased from 49.1% in the year ended December 31, 2019 to 45.3% in the six months ended June 30, 2020. Such decrease was primarily due to sales of JY Gaoligong Town Phase I and JY Hot Spring Villas, which attained gross profit margin ranging from approximately 40.4% to 41.8% and the revenue contribution of these two projects accounted for 63.4%, in aggregate, of our total revenue from property development and sales in the first half of 2020.

We recorded gross loss for our hotel operations segment for the year ended December 31, 2017 and our property management segment. Our hotel operations were operating at a gross loss in the year ended December 31, 2017 mainly as a result of the commencement of business of our Just Stay Resort. In the year ended December 31, 2018, on Just Stay Resort started to pick up its business with increase in both average room rate and occupancy rate, leading to an increase in gross profit and its gross profit margin. Our gross profit of hotel operations then remained relatively stable in the six months ended June 30, 2019.

We also recorded gross loss for our property management segment during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. We generally record gross loss for a property in the first year which we provided the property management services for primarily resulting from certain fixed costs incurred. The gross loss from this segment was attributable to different properties, which gross profit was recorded in the second year we provided the property management services for.

Selling and marketing expenses

Our selling and marketing expenses consist primarily of advertising costs, commission fee, employee benefit expenses and other selling expenses.

Our selling and marketing expenses amounted to RMB44.5 million, RMB74.2 million, RMB131.0 million (US\$18.5 million) and RMB39.7 million (US\$5.6 million) in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, which accounted for 5.3%, 5.6%, 5.5% and 4.3% to our total revenue for the respective period.

Advertising costs

Our advertising costs, which fluctuated in accordance with the schedule of pre-sale of sale of our properties at early stage, amounted to RMB11.3 million, RMB25.5 million, RMB39.9 million (US\$5.6 million) and RMB11.1 million (US\$ 1.6 million) in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Commission fee

In accordance with HKFRS 15, we recognized the commission fee, with a customer within contract costs if we expect to recover these costs. Our management expects the commission fee, primarily sale commission, as a result of obtaining the property sale contracts are recoverable. We have capitalized the amounts and recognized as expenses when the related revenue are recognized. In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the amounts of commission fee were RMB25.7 million, RMB35.9 million, RMB76.2 million (US\$10.8 million) and RMB20.6 million (US\$2.9 million), respectively.

Employee benefit expenses

Our employee benefit expenses recorded in selling and marketing expenses represented staff cost in relation to our marketing staff which amounted to RMB5.3 million, RMB10.0 million, RMB10.7 million (US\$1.5 million) and RMB4.6 million (US\$0.7 million) in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The fluctuation of employee benefit expenses was mainly due to the change in number of marketing staff and their performance-based bonus.

Administrative expenses

Administrative expenses primarily comprised of employee benefit expenses, entertainment expenses for our business, office expenses and traveling expenses.

Administrative expenses amounted to RMB66.4 million, RMB124.8 million, RMB162.9 million (US\$23.1 million) and RMB62.9 million (US\$8.9 million) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Other income

Our other income primarily represented forfeited deposits from our customers in relation to the sales of properties.

Other expenses

Our other expenses primarily represented donations to charitable organizations and regulatory penalties. The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)		(Unaudited)	(Unaudited)
				(In thousands)			
Donations	2,000	2,443	1,376	195	41	3,600	509
Others	858	316	1,722	244	1,164	130	18
	<u>2,858</u>	<u>2,759</u>	<u>3,098</u>	<u>438</u>	<u>1,204</u>	<u>3,729</u>	<u>528</u>

Other expenses remained relatively stable at RMB2.9 million, RMB2.8 million and RMB3.1 million (US\$0.4 million) for the years ended December 31, 2017, 2018 and 2019, respectively, and RMB1.2 million and RMB3.7 million (US\$0.5 million) in six months ended June 30, 2019 and 2020, respectively.

Other gains – net

Our other net gains primarily represented fair value gains on investment properties, gains on disposal of subsidiaries and interest on financial assets at fair value through profit or loss. The following table sets forth a breakdown of our other net gains for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)		(Unaudited)	(Unaudited)
				(In thousands)			
Interests on financial assets at fair value through profit or loss	3,593	9,123	1,832	259	870	2,613	370
Losses on disposals of property, plant and equipment	(110)	(8)	199	28	(9)	1	0
Fair value gains on investment properties	33,135	11,097	3,428	485	1,298	330	47
Gains on disposal of subsidiaries	-	210,358	59,706	8,451	59,706	-	-
Net foreign exchange losses	-	-	(4,144)	(587)	-	(12,075)	(1,709)
	<u>36,618</u>	<u>230,570</u>	<u>61,021</u>	<u>8,637</u>	<u>61,865</u>	<u>(9,131)</u>	<u>(1,292)</u>

Other net gains amounted to RMB36.6 million, RMB230.6 million and RMB61.0 million (US\$8.6 million) for the years ended December 31, 2017, 2018 and 2019, and other net loss amounted to RMB9.1 million (US\$1.3 million) in the six months ended June 30, 2020, respectively.

Fair value gains on investment properties

Our completed investment properties mainly comprised of retail properties during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. The fair value of our investment properties as of December 31, 2017, 2018 and 2019 have been valued by the property valuer. For retail properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as of the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Our gains arising on change in fair value of investment properties were RMB33.1 million, RMB11.1 million, RMB3.4 million (US\$0.5 million) and RMB0.3 million (US\$47,000) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

The fair value gains of investment properties were non-cash gains which did not constitute any cash effect to our financial results.

Gains on disposal of subsidiaries

Our gains on disposal of subsidiaries arises from disposal of Guangzhou Jinghengyue, Guangzhou Juxin and Sure Fine in the year ended December 31, 2018 and Guangzhou Jinghong in the year ended December 31, 2019.

Finance (income)/costs – net

Finance (income)/costs – net comprise mainly interest expenses on our bank and other borrowings and leases net of capitalized interest expenses and interest income from bank deposits. Finance (income)/costs – net amounted to cost of RMB9.6 million, income of RMB0.6 million, income of RMB1.4 million (US\$0.2 million) and cost of RMB0.8 million (US\$ 0.1 million) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The following table sets forth a breakdown of our finance costs – net for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(Unaudited)				(Unaudited) (Unaudited)		
	(In thousands)						
<i>Finance costs</i>							
Interest expense on bank and other borrowings.....	57,768	62,546	130,413	18,459	56,489	126,956	17,969
Interest expense on leases	603	444	2,983	422	1,473	1,600	226
Net exchange gains on foreign currency borrowings.....	-	-	-	-	-	(835)	(118)
Less: interest capitalized	(47,834)	(62,990)	(119,177)	(16,868)	(57,962)	(112,635)	(15,942)
	10,537	-	14,219	2,013	-	15,086	2,135
<i>Finance income</i>							
Interest income from bank deposits	(971)	(649)	(15,605)	(2,209)	(452)	(14,305)	(2,025)
Finance (income)/costs – net	9,566	(649)	(1,386)	(196)	(452)	781	111

In accordance with applicable accounting policies, general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Thus, the capitalized interest expense fluctuated during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 based on the extent of borrowings involved in and the progress of purchase of lands and constructions of our properties.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) *Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(ii) *PRC corporate income tax*

Our Group is subject to PRC corporate income tax which has been provided at corporate income tax rate of 25%.

(iii) *PRC LAT*

PRC LAT is levied at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and property development expenditures.

(iv) *Hong Kong profits tax*

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

Our income tax expenses were RMB97.3 million, RMB157.5 million, RMB416.6 million (US\$59.0 million) and RMB134.9 million (US\$19.1 million) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively; the effective tax rate (which is calculated based on the sum of corporate income tax divided by profit before tax less land appreciation tax for the respective period) for the same period was 32.0%, 15.8%, 27.5% and 27.2%, respectively.

Up to June 30, 2020, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by RMB162.3 million or 21.3% from RMB762.4 million in the six months ended June 30, 2019 to RMB924.7 million in the six months ended June 30, 2020. The increase in revenue was mainly due to an increase in sale of properties by RMB172.2 million.

Property development and sales

Our revenue from property development and sales increased from RMB712.5 million in the six months ended June 30, 2019 to RMB884.7 million (US\$125.2 million) in the six months ended June 30, 2020. The increase in revenue recognised was primarily due to an increase in the aggregate gross floor area completed and delivered as a result of the Group's continuing expansion.

The overall recognized ASP per sq.m. in the six months ended June 30, 2020 remained stable as compared to that of the six months ended June 30, 2019.

Hotel operations

Our revenue from hotel operations decreased from RMB36.6 million in the six months ended June 30, 2019 to RMB21.4 million (US\$3.0 million) in the six months ended June 30, 2020 mainly due to the impact of the outbreak of COVID-19.

Commercial property investment

Our revenue from commercial property investment increased from RMB7.7 million in the six months ended June 30, 2019 to RMB11.0 million (US\$1.6 million) in the six months ended June 30, 2020 mainly due to the increase in total GFA leased in the six months ended June 30, 2020.

Property management

Our revenue from property management services increased from RMB5.6 million in the six months ended June 30, 2019 to RMB7.7 million (US\$1.1 million) in the six months ended June 30, 2020 mainly as a result of increase of the total GFA of the properties which we provided such services as we sold more properties during the year.

Cost of sales

Cost of sales increased by RMB154.1 million or 42.1% from RMB366.0 million in the six months ended June 30, 2019 to RMB520.1 million (US\$73.6 million) in the six months ended June 30, 2020. The increase in cost of sales was primarily due to increase in recognised revenue in line with the development of the Group's businesses.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB8.2 million or 2.1% from RMB396.4 million in the six months ended June 30, 2019 to RMB404.5 million (US\$57.3 million) in the six months ended June 30, 2020. Our gross profit margin decreased from 52.0% in the six months ended June 30, 2019 to 43.7% in the six months ended June 30, 2020, which was mainly due to decrease in gross profit margin of property development and sales segment from 54.8% in the six months ended June 30, 2019 to 45.3% in the six months ended June 30, 2020 mainly as a result of the sales of JY Gaoligong Town Phase I and JY Hot Spring Villas, which attained gross profit margin ranging from approximately 40.4% to 41.8% and the revenue contribution of these two projects accounted for 63.4%, in aggregate, of the total revenue from property development and sales in the first half of 2020.

Selling and marketing expenses

Selling and marketing expenses decreased by RMB1.1 million or 2.7% from RMB40.8 million in the six months ended June 30, 2019 to RMB39.7 million (US\$5.6 million) in the six months ended June 30, 2020. The decrease was primarily due to a decrease in marketing activities in the six months ended June 30, 2020.

Administrative expenses

Administrative expenses decreased by RMB9.1 million or 12.6% from RMB72.0 million in the six months ended June 30, 2019 to RMB62.9 million (US\$8.9 million) in the six months ended June 30, 2020. The decrease was primarily resulted from the non-recurring listing expenses of RMB10.6 million recorded in the first half of 2019.

Other income

Other income increased from RMB0.6 million in the six months ended June 30, 2019 to RMB1.6 million (US\$0.2 million) in the six months ended June 30, 2020, primarily resulted from increase in penalty income from our suppliers.

Other expenses

Other expenses increased from RMB1.2 million in the six months ended June 30, 2019 to RMB3.7 million in the six months ended June 30, 2020, mainly due to increase in donations in response to COVID-19, as well as donation to Po Leung Kuk.

Other gains – net

Other net gains amounted to RMB61.9 million in the six months ended June 30, 2019 and became a loss of RMB9.1 million (US\$1.3 million) in the six months ended June 30, 2020 mainly attributable to the gains on disposal of Guangzhou Jinghong of RMB59.7 million (US\$8.7 million) in the six months ended June 30, 2019. The decrease was partially offset by the increase in interest on financial assets at fair value through profit or loss of RMB1.7 million (US\$0.2 million) in the six months ended June 30, 2020.

Net finance income

Net finance income amounted to RMB0.5 million in the six months ended June 30, 2019 and became a net loss of RMB0.8 million (US\$2.0 million) in the six months ended June 30, 2020. The decrease was mainly due to increase in interest expense charged to finance costs amounting to RMB15.1 million (US\$2.1 million).

Income tax expense

Income tax expense decreased from RMB163.4 million in the six months ended June 30, 2019 to RMB134.9 million (US\$19.1 million) in the six months ended June 30, 2020. The decrease was mainly due to (i) a decrease in land appreciation tax by RMB29.9 million (US\$4,000 million) and (ii) an increase in corporate income tax by RMB1.4 million (US\$0.2 million).

Profit for the period

As a result of the foregoing, profit for the period increased from gain of RMB181.2 million in the six months ended June 30, 2019 to profit of RMB194.1 million (US\$27.5 million) in the six months ended June 30, 2020. Our net profit margin for the six months ended June 30, 2020 was 21.0%.

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

Revenue

Our revenue increased by RMB1,073.9 million or 80.8% from RMB1,328.9 million in the year ended December 31, 2018 to RMB2,402.8 million (US\$340.1 million) in the year ended December 31, 2019. The increase in revenue was mainly due to increase in (i) sale of properties of RMB1,044.6 million (US\$147.9 million); and (ii) hotel operations of RMB7.2 million (US\$1.0 million).

Property development and sales

Our revenue from property development and sales increased from RMB1,245.8 million in the year ended December 31, 2018 to RMB2,290.3 million (US\$324.2 million) in the year ended December 31, 2019. The increase was mainly attributable to higher recognised average selling price as well as the aggregate gross floor area delivered in 2019.

Hotel operations

Our revenue from hotel operations increased from RMB66.6 million in the year ended December 31, 2018 to RMB73.8 million (US\$10.5 million) in the year ended December 31, 2019 mainly due to an increase in revenue generated from Just Stay Resort.

Commercial property investment

Our revenue from commercial property investment increased from RMB10.0 million in the year ended December 31, 2018 to RMB24.2 million (US\$3.4 million) in the year ended December 31, 2019 mainly due to increase in total GFA leased in 2019.

Property management

Our revenue from property management services increased from RMB6.5 million in the year ended December 31, 2018 to RMB14.4 million (US\$2.0 million) in the year ended December 31, 2019 mainly as a result of increase of the total GFA of the properties which we provided such services as we sold more properties during the year.

Cost of sales

Cost of sales increased by RMB442.3 million or 54.2% from RMB816.3 million in the year ended December 31, 2018 to RMB1,258.6 million (US\$178.1 million) in the year ended December 31, 2019. The increase in cost of sales was primarily due to the increase in recognised revenue in line with the development of the Group's businesses.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB631.6 million or 123.2% from RMB512.6 million in the year ended December 31, 2018 to RMB1,144.2 million (US\$162.0 million) in the year ended December 31, 2019. Our gross profit margin increased from 38.6% in the year ended December 31, 2018 to 47.6% in the year ended December 31, 2019, which was mainly due to increase in gross profit margin of property development and sales segment from 40.4% in the year ended December 31, 2018 to 49.1% in the year ended December 31, 2019 mainly as a result of increase in overall ASP. Such increase was primarily due to (i) contribution from sales of JY Lychee Town Phase II, JY Clearwater Bay No. 3 Phases VI and VII, which attained gross profit margin ranging from 47.8% to 51.1% in 2019 resulting from higher recognised ASP; and (ii) increase in gross profit margin from sales of JY Clearwater Bay No. 3 Phase III from 40.1% in the year ended December 31, 2018 to 58.2% in the year ended December 31, 2019, resulting from the increase in overall recognised ASP.

Selling and marketing expenses

Selling and marketing expenses increased by RMB56.8 million or 76.6% from RMB74.2 million in the year ended December 31, 2018 to RMB131.0 million (US\$18.5 million) in the year ended December 31, 2019. The increase was primarily due to the increase in (i) advertising costs of RMB14.4 million (US\$2.0 million) in relation to sales promotion of sale of our property projects; and (ii) commission fee of RMB40.3 million (US\$5.7 million) as a result of increase in revenue from property development and sales.

Administrative expenses

Administrative expenses increased by RMB38.3 million or 30.8 % from RMB124.6 million in the year ended December 31, 2018 to RMB162.9 million (US\$23.1 million) in the year ended December 31, 2019. The increase was primarily due to (i) an increase in employee benefit expenses resulting from the increase of the number of employees; (ii) listing expenses of RMB23.5 million in 2019; and (iii) an increase in daily administrative expenses to support business expansion of the Group.

Other income

Other income increased from RMB1.3 million in the year ended December 31, 2018 to RMB3.7 million (US\$0.5 million) in the year ended December 31, 2019 mainly due to an increase in penalty income from suppliers, while other expenses remained relatively stable.

Other expenses

Other expenses remained relatively stable at RMB2.8 million (US\$0.4 million) in the year ended December 31, 2017 and RMB3.1 million (US\$0.4 million) in the year ended December 31, 2019.

Other gains – net

Other net gains decreased from RMB230.6 million in the year ended December 31, 2018 to RMB61.0 million (US\$8.6 million) in the year ended December 31, 2019 mainly attributable to the gains on disposal of Guangzhou Jinghong Investment Co., Ltd. in 2019 which amounted to RMB59.7 million (US\$8.4 million).

Finance (income)/costs – net

Finance (income)/costs, net increased from a gain of RMB0.6 million in the year ended December 31, 2018 to income of RMB1.4 million (US\$0.2 million) in the year ended December 31, 2019. The change was mainly due to increase in finance income by RMB15.0 million (US\$2.1 million) primarily from interest income from bank deposits, partially offset by the increase in interest expense charged to finance costs by RMB14.2 million (US\$2,000 million) in 2019.

Income tax expense

Income tax expense increased from RMB157.5 million in the year ended December 31, 2018 to RMB416.6 million (US\$59.0 million) in the year ended December 31, 2019. The increase was mainly due to increase in (i) land appreciation tax of RMB143.3 million (US\$20.3 million) resulting from the increase in sale of properties; and (ii) corporate income tax of RMB115.7 million (US\$16.4 million) as a result of our increase in assessable income. Our effective tax rate increased from 15.8% in 2018 to 27.5% in the year ended December 31, 2019 mainly due to income not subject to tax in the year ended December 31, 2018 primarily in relation to the gains on disposal of a subsidiary.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB113.2 million or 29.6% from RMB381.8 million in the year ended December 31, 2018 to RMB494.9 million (US\$70.1 million) in the year ended December 31, 2019. Our net profit margin decreased from 28.7% in the year ended December 31, 2018 to 20.6% in the year ended December 31, 2019 mainly as a result of increase in gross profit margin and gains on disposal of subsidiaries. Excluding the non-recurring expenses of listing expense, fair value gains on investment properties and gains on disposal of subsidiaries, our EBITDA for the year amounted to RMB353.6 million and RMB900.4 million (US\$127.4 million) in the year ended December 31, 2018 and the year ended December 31, 2019, respectively, while the EBITDA margin was 26.6% and 37.5% in the respective year. The increase in net profit margin in the year ended December 31, 2019 compared to that in the year ended December 31, 2018 was mainly due to increase in gross profit margin in the year ended December 31, 2019.

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

Revenue

Our revenue increased by RMB490.6 million or 58.5% from RMB838.3 million in the year ended December 31, 2017 to RMB1,328.9 million (US\$193.6 million) in the year ended December 31, 2018. The increase in revenue was mainly due to increase in (i) sale of properties of RMB462.3 million (US\$67.3 million); and (ii) hotel operations of RMB20.5 million (US\$3.0 million).

Property development and sales

Our revenue from property development and sales increased from RMB783.4 million in the year ended December 31, 2017 to RMB1,245.8 million (US\$181.5 million) in the year ended December 31, 2018. The increase was mainly attributable to higher recognised average selling price as well as the aggregate gross floor area delivered in 2019.

Hotel operations

Our revenue from hotel operations increased from RMB46.1 million in the year ended December 31, 2017 to RMB66.6 million (US\$9.7 million) in the year ended December 31, 2018. The increase was primarily attributable to the increased revenue generated from Just Stay Resort.

Commercial property investment

Our revenue from commercial property investment increased from RMB5.6 million in the year ended December 31, 2017 to RMB10.0 million (US\$1.5 million) in the year ended December 31, 2018 mainly due to (i) the increase in revenue from commercial property investment of RMB4.4 million (US\$0.6 million) as a result of full-year rental contributions from those properties which lease terms were commenced during the year ended December 31, 2017; and (ii) increase in overall rental rates as a result of positive average rental reversions upon renewal of tenancies.

Property management

Our revenue from property management services increased from RMB3.2 million in the year ended December 31, 2017 to RMB6.5 million (US\$0.9 million) in the year ended December 31, 2018 mainly as a result of increase of the total GFA of the properties which we provided such services as we sold more properties during the year.

Cost of sales

Cost of sales increased by RMB442.3 million or 77.9% from RMB568.1 million in the year ended December 31, 2017 to RMB816.3 million (US\$118.9 million) in the year ended December 31, 2018. The increase in cost of sales was primarily due to the increase in recognised revenue in line with the development of the Group's businesses.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB242.4 million or 89.7% from RMB270.2 million in the year ended December 31, 2017 to RMB512.6 million (US\$74.7 million) in the year ended December 31, 2018. Our gross profit margin increased from 32.2% in the year ended December 31, 2017 to 38.6% in the year ended December 31, 2018, which was mainly due to increase in gross profit margin of property development and sales segment from 36.4% in the year ended December 31, 2017 to 40.4% in the year ended December 31, 2018 mainly as a result of increase in overall ASP. As the operation of our Just Stay Resort started to pick up in the year ended December 31, 2018 with increase in both occupancy rate and average room rate since its commencement of operation in the year ended December 31, 2017, our hotel operations recorded a gross profit margin of 0.6% compared to a gross loss in the year ended December 31, 2017.

Selling and marketing expenses

Selling and marketing expenses increased by RMB29.7 million or 66.8% from RMB44.5 million in the year ended December 31, 2017 to RMB74.2 million (US\$10.8 million) in the year ended December 31, 2018. The increase was mainly attributable to (i) increase in advertising costs by RMB14.2 million in relation to certain projects commenced pre-sale in 2019; and (ii) increase in commission fees by RMB10.2 million as a result of increase in revenue from property development and sales.

Administrative expenses

Administrative expenses increased by RMB58.4 million or 87.9% from RMB66.4 million in the year ended December 31, 2017 to RMB124.8 million (US\$17.7 million) in the year ended December 31, 2018. The increase was primarily due to the increase in (i) employee benefit expenses of RMB30.2 million (US\$4.3 million) as a result of increase in headcounts from 70 personnels as of December 31, 2017 to 181 personnels as of December 31, 2018 and the compensation level of existing staff; and (ii) listing expenses of RMB10.8 million (US\$1.5 million) incurred in the year ended December 31, 2018 compared to nil in the year ended December 31, 2017; (iii) entertainment expenses of RMB4.4 million (US\$0.6 million) for our business expansion; and (iv) business taxes and other levies of RMB5.4 million (US\$0.8 million) which is generally in line with the increase in our land reserves compared to the year ended December 31, 2017.

Other income

Other income increased from RMB0.7 million in the year ended December 31, 2017 to RMB1.3 million (US\$0.2 million) in the year ended December 31, 2018 primarily resulted from increase in penalty income from our suppliers.

Other expenses

Other expenses remained relatively stable at RMB2.9 million (US\$0.4 million) in the year ended December 31, 2017 and RMB2.8 million (US\$0.4 million) in the year ended December 31, 2018.

Other gains – net

Other net gains increased from RMB36.6 million in the year ended December 31, 2017 to RMB230.6 million (US\$33.6 million) in the year ended December 31, 2018 mainly attributable to the gains on disposal of Guangzhou Jinghengyue, Guangzhou Juxin and Sure Fine of RMB210.4 million (US\$30.6 million). The increase was partially offset by the decrease in fair value gains on investment properties of RMB22.0 million (US\$3.2 million) in the year ended December 31, 2018.

Finance (income)/costs – net

Finance (income)/costs, net decreased from cost of RMB9.6 million in the year ended December 31, 2017 to income of RMB0.6 million (US\$0.09 million) in the year ended December 31, 2018. The change was mainly due to increase in capitalized interest expense of RMB15.2 million (US\$2.2 million) in accordance with the progress of our construction of properties despite increase in gross interest expense of RMB4.6 million (US\$0.7 million).

Income tax expense

Income tax expense increased from RMB97.3 million in the year ended December 31, 2017 to RMB157.5 million (US\$22.9 million) in the year ended December 31, 2018. The increase was mainly due to increase in (i) PRC LAT of RMB28.8 million (US\$4.2 million) resulting from the increase in sale of properties; and (ii) increase in corporate income tax of RMB31.4 million (US\$4.6 million) as a result of our increase in assessable income. Our effective tax rate decreased from 32.0% in the year ended December 31, 2017 to 15.8% in the year ended December 31, 2018 mainly due to income not subject to tax primarily in relation to the gains on disposal of a subsidiary.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB295.7 million or 343.5% from RMB86.1 million in the year ended December 31, 2017 to RMB381.8 million (US\$55.6 million) in the year ended December 31, 2018. Our net profit margin increased from 10.3% in the year ended December 31, 2017 to 28.7% in the year ended December 31, 2018 mainly as a result of increase in gross profit margin and gains on disposal of subsidiaries. Excluding the non-recurring expenses of listing expense, fair value gains on investment properties and gains on disposal of subsidiaries, our EBITDA for the year amounted to RMB183.8 million and RMB353.6 million (US\$51.5 million) in the year ended December 31, 2017 and the year ended December 31, 2018, respectively, while the EBITDA margin was 21.9% and 26.6% in the respective year. The increase in net profit margin in the year ended December 31, 2018 compared to that in the year ended December 31, 2017 was mainly due to increase in gross profit margin in the year ended December 31, 2018.

Please see “Non-HKFRS financial measure” in this section for details.

EBITDA

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

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)		(Unaudited)	(Unaudited)
				(In thousands)			
Profit for the year/period	86,078	381,759	494,917	70,051	181,175	194,095	27,473
Adjusted for:							
Fair value gains on investment properties	(33,135)	(11,097)	(3,428)	(485)	(1,298)	(330)	(47)
Gains on disposal of subsidiaries	-	(210,358)	(59,706)	(8,451)	(59,706)	-	-
Listing expenses	-	10,840	23,546	3,333	10,602	-	-
Finance (income)/costs – net	9,566	(649)	(1,386)	(196)	(452)	781	111
Income tax expense	97,330	157,511	416,590	58,964	163,427	134,881	19,091
Depreciation and amortisation of intangible assets and right-of-use assets	23,915	25,586	29,843	4,224	14,076	13,793	1,952
EBITDA (Unaudited)	<u>183,754</u>	<u>353,592</u>	<u>900,376</u>	<u>127,440</u>	<u>307,824</u>	<u>343,220</u>	<u>48,580</u>

EBITDA refers to our earnings before the following items: interest income/expenses; income tax expenses; depreciation and amortisation of intangible assets and rights-of-use assets; fair value gains on investment properties; gains on disposal of subsidiaries and non-recurring income/expenses.

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

CAPITAL EXPENDITURES

Our Group’s capital expenditures have principally consisted of expenditures on acquisitions of investment properties, property, plant and equipment for self-use and intangible assets for our operations.

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our Group incurred capital expenditures of RMB13.4 million, RMB10.0 million, RMB9.7 million (US\$1.4 million) and RMB3.0 million (US\$0.4 million), respectively, majority of which came from acquisition of properties, plant and equipment. Since June 30, 2020, we did not make any material capital expenditures.

LIQUIDITY AND CAPITAL RESOURCES

Our operations are capital intensive, and our primary uses of cash are for the payment of acquisition of land, cost of constructions, maintenances of our hotel operations, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated mainly from our operations, bank borrowing and shareholders' loan.

Cash Flow

The following table summarizes, for the periods indicated, our statements of cash flows for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)		(Unaudited)	(Unaudited)
				(In thousands)			
Cash flows from operating activities							
before movements in working capital	181,399	337,870	885,010	125,265	300,677	318,348	45,059
Net cash used in operating activities	(270,571)	(209,815)	(1,447,860)	(204,931)	(363,019)	(448,392)	(63,466)
Net cash (used in)/generated from investing activities	(273,989)	250,708	136,360	19,301	92,605	(4,832)	(684)
Net cash generated from/(used in) financing activities	590,719	(127,871)	2,037,908	288,447	548,817	623,852	88,301
Net increase/(decrease) in cash and cash equivalents	46,159	(86,978)	726,408	102,816	278,403	170,628	24,151
Exchange (losses)/gains on cash and cash equivalents	(4,447)	8,197	11,644	1,648	74	8,489	1,202
Cash and cash equivalents at beginning of year/period	255,950	297,662	218,881	30,981	218,881	956,933	135,445
Cash and cash equivalents at end of year/period	297,662	218,881	956,933	135,445	497,358	1,136,050	160,797

Operating activities

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our cash inflow from operating activities was principally from the receipt of proceeds for our sale of properties, hotel operations, rental income and properties management service fee. Our cash outflow used in operating activities was principally for acquisition of land, construction of properties and other cost of operations. Being a property developer, operator and property management service provider, we constantly invest our available funds to sustain our operations, such as expanding our land bank and developing quality properties which is mainly reflected in the increase in our properties under development. In order to expand our business, we require funds to acquire land for, and development of, our property development projects. Our projects have been generally funded through cash generated from operations including proceeds from the pre-sale of our properties, bank loans and issuance of senior notes. Given our completed properties held for sales and properties under development, which can be realized as operating cash inflows and unutilized banking facilities of RMB443.7 million available to us as of September 30, 2020, we believe we will have sufficient funds to meet in full our financial obligations as and when they fall due.

To improve our operating cash flow position, we will continue to strengthen our sales and marketing efforts in respect of the pre-sales and sales of our properties, and our efforts to collect trade receivables from our customers in a timely manner. We also plan to optimize the payment schedule of our construction costs for our property development through negotiations and maintenance of good relationship with our construction contractors so as to match with our property sales plans and our recovery of sales proceeds.

In the six months ended June 30, 2020, we had net cash used in operating activities of RMB448.4 million (US\$63.5 million), mainly as a result of the cash used in operations of RMB204.8 million (US\$29.0 million), income tax paid of RMB134.1 million (US\$19.0 million) and interest paid of RMB109.5 million (US\$15.5 million). The negative changes in working capital of RMB523.2 million (US\$74.1 million) primarily reflected (i) increase in trade and other receivables of RMB165.9 million (US\$23.5 million), and (ii) decrease in trade and other payables of RMB280.9 million (US\$39.8 million).

In the year ended December 31, 2019, we had net cash used in operating activities of RMB1,447.9 million (US\$204.9 million), mainly as a result of the cash generated used in operations of RMB1,111.1 million (US\$157.3 million), income tax paid of RMB207.3 million (US\$29.3 million) and interest paid of RMB129.4 million (US\$18.3 million). The negative changes in working capital of RMB1,996.2 million (US\$282.5 million) primarily reflected the (i) increase in properties under development and completed properties held for sale of RMB957.7 million (US\$135.6 million) mainly due to increase in investment in property development; (ii) decrease in trade and other payables of RMB716.3 million (US\$101.4 million); and (iii) increase in trade and other receivables of RMB407.7 million (US\$57.7 million). The negative change in working capital was partially offset by the decrease in prepaid taxes of RMB49.8 million (US\$7.1 million).

In the year ended December 31, 2018, we had net cash used in operating activities of RMB209.8 million (US\$30.6 million), mainly as a result of the cash generated from operations of RMB42.8 million (US\$6.2 million), income tax paid of RMB189.7 million (US\$27.6 million) and interest paid of RMB63.0 million (US\$9.2 million). The negative changes in working capital of RMB295.0 million (US\$43.0 million) primarily reflected the (i) increase in properties under development and completed properties held for sale of RMB1,485.7 million (US\$216.4 million) mainly due to increase in investment in property development; and (ii) increase in trade and other receivables of RMB771.3 million (US\$112.4 million). The negative change in working capital was partially offset by the increase in trade and other payables of RMB1,913.5 million (US\$278.7 million).

In the year ended December 31, 2017, we had net cash used in operating activities of RMB270.6 million, mainly as a result of the cash used in operations of RMB85.2 million, income taxes paid of RMB128.4 million and interest paid of RMB56.9 million. The negative changes in working capital of RMB266.6 million primarily reflected (i) increase in properties under development and completed properties held for sale of RMB728.8 million mainly due to increase in investment in property development; and (ii) increase in trade and other receivables of RMB242.8 million, partially offset by increase in trade and other payables of RMB840.9 million mainly due to increase in contract liabilities which was in line with the increase in sale of properties.

Investing activities

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our cash inflow from investing activities was principally disposal of subsidiaries and cash repayments from related parties. Our cash outflow used in investing activities was principally for acquisition of subsidiaries, purchases of property, plant and equipment, investment properties and cash advances to related parties.

In the six months ended June 30, 2020, we had net cash used in investing activities of RMB4.8 million (US\$0.7 million) primarily attributable to (i) net cash outflow from financial assets at fair value through profit or loss of RMB6.4 million (US\$0.9 million) and payments for acquisition of subsidiaries, net of cash acquired of RMB5.8 million (US\$0.8 million) partially offset by (i) interest received of RMB7.8 million (US\$1.1 million); and (ii) interest received on financial assets at fair value through profit or loss of RMB2.6 million (US\$0.4 million).

In the six months ended December 31, 2019, we had net cash generated from investing activities of RMB13.6 million (US\$19.3 million) primarily attributable to (i) cash repayments from related parties of RMB936.8 million (US\$132.6 million) and proceeds from disposal of a subsidiary, net of cash disposed of, of RMB77.9 million (US\$11.0 million) partially offset by (i) payments to original shareholder and non-controlling interest of a subsidiary acquired of RMB715.2 million (US\$101.2 million); and (ii) payments for acquisition of subsidiaries, net of cash acquired, of RMB162.3 million (US\$23.0 million).

In the year ended December 31, 2018, we had net cash generated from investing activities of RMB250.7 million (US\$36.5 million) primarily attributable to proceeds from disposal of subsidiaries, net of cash disposed of, of RMB635.2 million partially offset by (i) cash advanced to related parties for of RMB287.2 million (US\$41.8 million); (ii) payments for acquisition of subsidiaries, net of cash acquired, of RMB86.6 million (US\$12.6 million); and (iii) investment in an associate and a joint venture of RMB24.5 million (US\$3.6 million) and RMB23.3 million (US\$3.4 million), respectively.

In the year ended December 31, 2017, we had net cash used in investing activities of RMB274.0 million primarily attributable to (i) payments for acquisition of subsidiaries, net of cash acquired, of RMB152.9 million; (ii) cash advanced to related parties of RMB75.8 million; (iii) net cash outflow from financial assets through profit or loss of RMB36.8 million; and (iv) purchase of property and equipment of RMB13.0 million.

Financing activities

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our cash inflow from financing activities was principally from proceeds from borrowings, proceeds from the Company's listing and capital contribution from non-controlling interests. Our cash outflow used in financing activities was principally for the repayment of borrowings and increase in guarantee deposits for borrowings.

In the six months ended June 30, 2020, we had net cash generated from financing activities of RMB623.9 million (US\$88.3 million) primarily attributable to proceeds from borrowings of RMB2,463.4 million. The cash inflow was partially offset by (i) repayment of borrowings of RMB1,512.0 million (US\$214.0 million); and (ii) increase in guarantee deposits for borrowings of RMB150.5 million (US\$21.3 million).

In the six months ended December 31, 2019, we had net cash generated from financing activities of RMB2,037.9 million (US\$288.4 million) primarily attributable to (i) proceeds from borrowings of RMB3,275.6 million (US\$463.6 million); and (ii) proceeds from the Company's listing of RMB1,263.0 million (US\$178.8 million). The cash inflow was partially offset by (i) repayment of borrowings of RMB1,141.6 million (US\$161.6 million); and (ii) increase in restricted cash for securing bank borrowings of RMB722.0 million (US\$102.2 million).

In the year ended December 31, 2018, we had net cash used in financing activities of RMB127.9 million (US\$18.6 million) primarily attributable to (i) repayment of borrowings of RMB690.7 million (US\$100.6 million); (ii) increase in restricted cash for securing bank borrowings of RMB208.6 million (US\$30.4 million); (iii) deemed distribution to controlling shareholder of RMB60.1 million. The cash outflow was partially offset by (i) advances from related parties of RMB566.1 million (US\$82.5 million); and (ii) proceeds from bank borrowings of RMB262.5 million (US\$38.2 million).

In the year ended December 31, 2017, we had net cash generated from financing activities of RMB590.7 million primarily attributable to (i) proceeds from bank borrowings of RMB510.6 million; and (ii) capital injection from non-controlling shareholders of RMB175.7 million. The cash inflow was partially offset by repayment of borrowings of RMB168.2 million.

CONTRACTUAL AND CAPITAL COMMITMENTS

Commitments

We had the following commitments, which were not provided for in our consolidated financial statements:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US\$	RMB	US\$
	(In thousands)					
Contracted but not provided for:						
Property development activities.....	776,898	2,170,163	1,896,976	268,500	2,017,821	285,604

INDEBTEDNESS

The following table sets out our total debts as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US\$	RMB	US\$
	(Unaudited) (Unaudited) (Unaudited)					
	(In thousands)					
Bank and other borrowings.....	1,121,545	758,092	3,303,024	467,513	4,088,463	578,684
Lease liabilities.....	64,373	59,973	66,664	9,436	70,065	9,917
	1,185,918	818,065	3,369,688	476,948	4,158,528	588,601

Bank and other borrowings

The following table sets out our breakdown on bank and other borrowings as of the date indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US\$	RMB	US\$
			(Unaudited)		(Unaudited)	(Unaudited)
			(In thousands)			
Bank borrowings	904,045	758,092	3,096,995	438,351	3,035,453	429,640
Senior notes	–	–	–	–	1,053,010	149,044
Loan from a third party.....	217,500 ⁽¹⁾	–	206,029	29,162	–	–
	<u>1,121,545</u>	<u>758,092</u>	<u>3,303,024</u>	<u>467,513</u>	<u>4,088,463</u>	<u>578,684</u>
Included in non-current portion						
– Secured.....	835,473	500,949	1,595,888	225,883	2,577,620	364,838
– Unsecured	286,072	57,143	–	–	–	–
Less: current portion of non-current liabilities.....	(437,414)	(239,436)	(215,966)	(30,568)	(736,575)	(104,255)
	<u>684,131</u>	<u>318,656</u>	<u>1,379,922</u>	<u>195,315</u>	<u>1,841,045</u>	<u>260,583</u>
Included in current liabilities:						
– Secured.....	–	200,000	703,862	99,625	311,683	44,116
– Unsecured	–	–	1,003,274	142,004	1,199,160	169,730
Add: Current portion of non-current liabilities.....	437,414	239,436	215,966	30,568	736,575	104,255
	<u>437,414</u>	<u>439,436</u>	<u>1,923,102</u>	<u>272,197</u>	<u>2,247,418</u>	<u>318,101</u>
Total borrowings.....	<u>1,121,545</u>	<u>758,092</u>	<u>3,303,024</u>	<u>467,513</u>	<u>4,088,463</u>	<u>578,684</u>

Note:

(1) On March 31, 2015, a third party offered a facility of RMB300.0 million to us. We withdrew a principle of RMB292.5 million with interest rate of 7% per annum, which was due on March 31, 2025. The loan was early repaid by our Group on June 30, 2018.

The following table sets forth the repayment schedule of bank and other borrowings as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US\$	RMB	US\$
			(Unaudited)		(Unaudited)	(Unaudited)
			(In thousands)			
Within 1 year.....	437,414	439,436	1,923,102	272,197	2,247,418	318,101
1 to 2 years	265,271	51,256	329,386	46,622	527,335	74,639
2 to 5 years	232,573	148,066	797,092	112,821	906,616	128,323
Over 5 years.....	186,287	119,334	253,443	35,873	407,095	57,621
	<u>1,121,545</u>	<u>758,092</u>	<u>3,303,024</u>	<u>467,513</u>	<u>4,088,463</u>	<u>578,684</u>

The following table sets forth the weighted average effective interest rate on the borrowings as of the dates indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Bank and other borrowings (%)	6.26	5.74	6.43	6.01
Senior notes	–	–	–	8.48

Our weighted average effective interest rate represents actual finance cost incurred during the year or period divided by weighted average borrowings that were outstanding during the year or period.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, bank and other borrowings totaling RMB405.3 million, RMB835.5 million, RMB700.9 million (US\$102.1 million) and RMB1,324.9 million (US\$193.0 million) of our Group were secured by the following assets and our shares of certain subsidiaries:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US\$	RMB	US\$
	(In thousands)					
Lands	15,040	14,409	13,865	1,962	13,594	1,924
Property, plant and equipment	212,075	284,728	300,091	42,475	293,982	41,610
Assets under construction	–	–	–	–	–	–
Investment properties	–	184,275	187,703	26,568	188,033	26,614
Properties under development	844,237	221,985	1,016,776	143,915	1,390,752	196,848
Completed properties held for sale	65,465	288,832	1,095,440	155,049	996,734	141,079
Trade receivables	5,829	6,122	1,190	168	1,134	161
Restricted cash	–	208,561	930,558	131,712	936,127	132,500
	<u>1,142,646</u>	<u>1,208,912</u>	<u>3,545,623</u>	<u>501,850</u>	<u>3,820,356</u>	<u>540,736</u>

Our unsecured bank borrowings of RMB68.6 million, RMB57.1 million, RMB555.4 million (US\$78.6 million) and RMB1,199.2 million (US\$169.7 million) as of December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, were guaranteed by the Company and certain subsidiaries of our Group.

Our secured bank borrowings of RMB399.5 million, RMB483.5 million, RMB2,226.2 million (US\$314.1 million) and RMB2,508.6 million (US\$355.1 million) as of December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, were guaranteed by certain subsidiaries, were guaranteed by the Company, certain subsidiaries, the ultimate controlling shareholder, Ms. Su Lifan and Ms. Tan Yuxing. All guarantees by Ms. Su Lifan and Ms. Tan Yuxing had been released in May and June 2019.

As of September 30, 2020, we had aggregate banking facilities of RMB3,691.1 million, of which RMB443.7 million was unutilized. We are not committed to draw down the unutilized amount.

Please refer to the section entitled “Description of Other Material Indebtedness” for a description of the indebtedness incurred after June 30, 2019.

Lease liabilities

Our lease liabilities decreased from RMB64.4 million as of December 31, 2017 to RMB60.0 million as of December 31, 2018 primarily due to the lease payment made during the year ended December 31, 2018. Our lease liabilities increased to RMB66.7 million (US\$9.4 million) as of December 31, 2019 primarily due to the increase in right-of-use assets during the year ended December 31, 2019. Our lease liabilities further increased to RMB70.1 million (US\$9.9 million) as of June 30, 2020 primarily due to the increase in right-of-use assets during the period.

Amounts due to related parties (non-trade balances)

As of December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had amounts due to related parties (non-trade balances) of RMB629.2 million, RMB1,115.2 million, nil and nil, respectively. All our amounts due to related parties (non-trade balances) were unsecured, interest-free and repayable on demand. All the amounts due to related parties (non-trade balances) have been repaid or capitalized.

Guarantees

As of December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had provided guarantees of RMB638.3 million, RMB894.1, RMB1,075.9 million (US\$152.3 million) and RMB1,342.0 million (US\$190.0 million), respectively, to secure obligations of purchasers of our Group's property units of repayments.

OFF-BALANCE SHEET ARRANGEMENT

As of September 30, 2020, we had not entered into any off-balance sheet transaction.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Foreign exchange risk

Our businesses are principally conducted in RMB. As of December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, major non-RMB assets and liabilities are cash and cash equivalent, restricted cash, trade and other receivables and prepayments, amounts due from related parties, trade and other payables, amounts due to related parties and borrowings, which are denominated in HK\$ or USD. Fluctuation of the exchange rate of RMB against HK\$ or USD could affect our results of operations. As the New Notes will be denominated in USD, our exposure to foreign exchange risk may be increased. We have not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

Cash flow and fair value interest rate risks

Our interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose us to fair value interest rate risk. Borrowings obtained at floating rates, which are subject to fluctuations, expose us to cash flow interest rate risk which is partially offset by cash held at floating rates. See "Risk Factors – Risks Relating to Our Business – Changes in interest rates have affected and will continue to affect our financial costs and, ultimately, our results of operations" for more information.

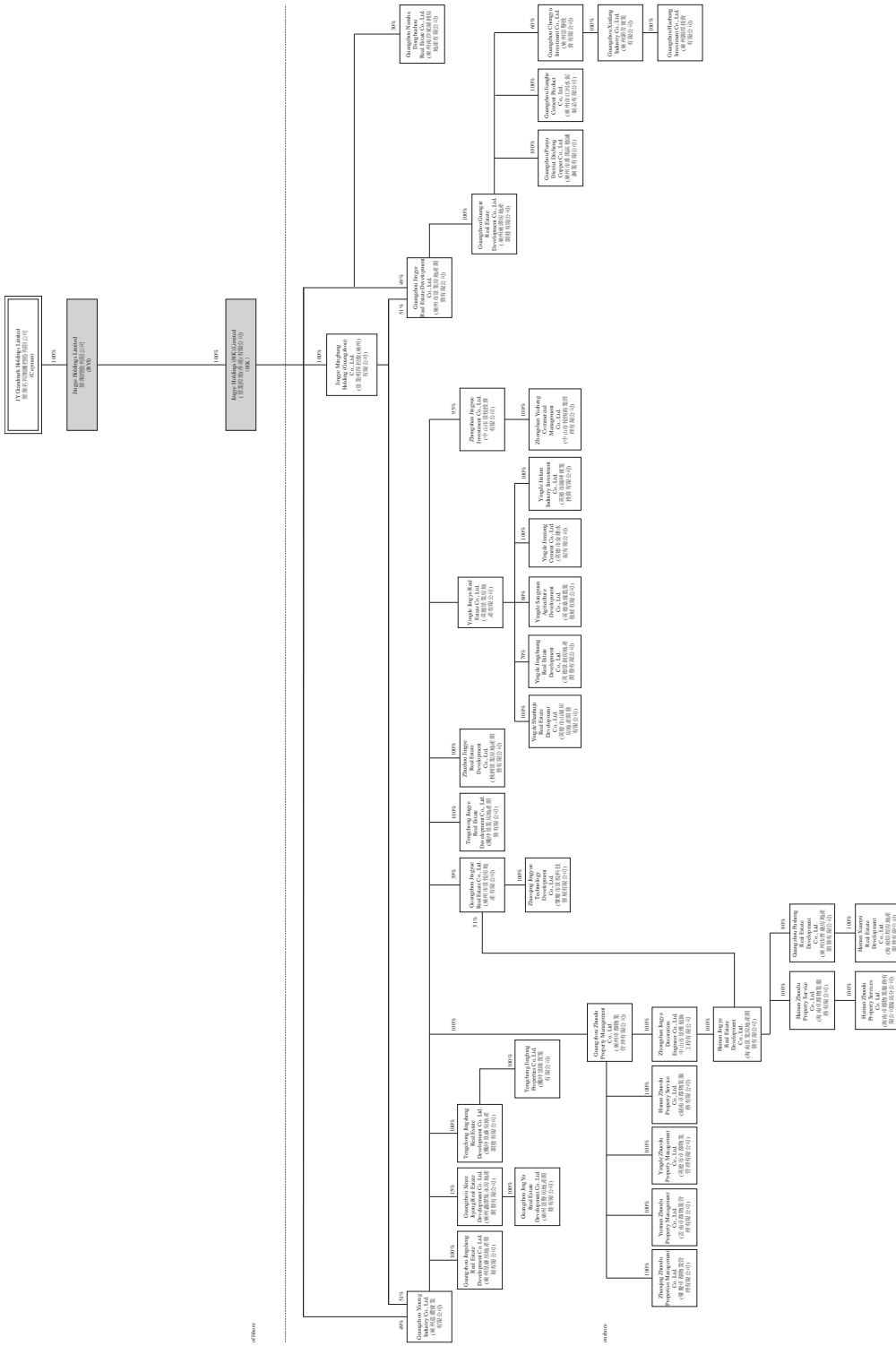
Credit risk

We have no concentrations on credit risk. Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheets.

Liquidity risk

Our management aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholder and related parties. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

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



Note 1: Certain PRC subsidiaries have not fully paid their registered capital, such as Guangzhou Chongyu Investment Co., Ltd., Guangzhou Xinfang Enterprise Co., Ltd., Guangzhou Yinong Industry Co., Ltd., Guangzhou Jingye Real Estate Development Co., Ltd. and Guangdong Jingye Health Industry Development Co., Ltd.

Note 2: Shares of certain PRC subsidiaries, such as Yingde Jingye Real Estate Co., Ltd, Zhuzhou Jingye Real Estate Development Co., Ltd, Zhongshan Yueheng Corporate Management Co., Ltd., and Guangzhou Shunbang Investment Management Co., Ltd., are pledged to banks.

BUSINESS

OVERVIEW

We are a property developer, operator and property management service provider based in the PRC and primarily offer residential properties in Guangdong and Hainan provinces. We have land resources in Guangdong, Hainan, Yunnan and Hunan provinces for our future development. We position ourselves as an “Eco-friendly and People-oriented Property Developer” (生態人文地產發展商), leveraging the natural resources, distinctive landscapes and features as well as rich culture of our selected project sites to develop homes and communities that we consider to be truly livable for our buyers. Ever since our incorporation in 2013, this positioning has been clear and we believe it is what differentiates our Group from other property developers in the PRC. As a young member of the industry, we had 11 completed project phases, six project phases under development and four of which had commenced pre-sale activities as of June 30, 2020, and held 15 project phases for our future development as of the same date. Our first project JY Lychee Town was awarded Green Residential Area in Guangdong Province* (廣東省綠色住區) by Guangdong Province Real Estate Industry Association* (廣東省房地產行業協會) in 2019. Our JY Gaoligong Town was awarded “Yang Meng” Quality Project* (羊盟好項目) by Yangcheng Design Alliance, Guangzhou City Space Design Association* (羊城設計聯盟,廣州市空間設計協會) in 2018.

We mainly target home upgraders or purchasers looking for a second home or a vacation home, especially those who value a home in tranquil environment while still located in proximity to first-tier cities for convenience. As the consumption power of the PRC residents increases, our target customers have placed increasing importance to the quality of life and lifestyle that real properties bring about as well as the livability of the neighborhood in selecting their new homes. Meanwhile, high speed rail and highway network in the PRC are facilitating working and living across districts and expanding the “one-hour living circle” of provincial capital cities to cover their surrounding satellite towns. We believe that the combined effect of these development trends has fostered urbanization, and therefore, growth in the property markets of such satellite towns. In terms of geographical market, our strategy is to focus on areas covered by China’s national development strategies, in particular, the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區) and areas covered by the Belt and Road Initiative (一帶一路) within mainland China.

In line with our positioning, we select our project sites strategically, with priority for places with iconic natural resources. For example, our first property project, JY Lychee Town (景業荔都), is located next to woods, providing mountainous landscape view in the city, local fresh produces and clean air which are all valued qualities sought after by urban dwellers; our JY Hot Spring Villas (景業瓏泉灣) is situated at a famous hot spring area in Conghua, Guangzhou, for which we built a series of low-rise houses targeting vacation homebuyers and a hot spring resort which we operate; and certain phases of our JY Clearwater Bay No. 3 (景業清水灣3號) are located in proximity to the coastline or golf courses with rich greenery. Our JY Gaoligong Town (景業高黎貢小鎮) is located in hot spring geological area in Yunnan, surrounded by mountainous landscape, and our JY Maofengshan Project (景業帽峰山項目) is close to Maofengshan Forest Park. Recently, we have expanded our product portfolio into developing residential properties catering to the needs of first-time homebuyers, including JY Donghuzhou Haoyuan (景業東湖洲豪園) in Nansha, Guangzhou, JY Grand Garden (景業雍景園) in Qingyuan, Guangdong and JY Mountain Lake Gulf (景業山湖灣) in Zhuzhou, Hunan.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our property development and sales business was RMB783.4 million, RMB1,245.8 million, RMB2,290.3 million (US\$324.2 million) and RMB884.7 million (US\$125.2 million), respectively, and the gross profit margin of our property development and sales business was 36.4%, 40.4%, 49.1% and 45.3%, respectively. As of June 30, 2020, we had a property portfolio of 32 property project phases in 10 locations with an aggregate GFA attributable to us of approximately 3.9 million sq.m., comprising completed properties available for sale or lease with an aggregate GFA of approximately 0.2 million sq.m., properties under development with an aggregate GFA of approximately 0.8 million sq.m. and properties held for future development with an aggregate GFA of approximately 2.9 million sq.m.

We endeavor to be a “360° Asset and Lifestyle Service Provider” (360°資產生活服務商) with an aim to providing all-round convenient-living services to property owners. We provide property management services to our residents and plan to provide leisure and well-being services with the development of specialty residential products such as our JY Well-being Valley in Lingao, Hainan. Moreover, we operate several hotels, including our

hot spring resort as part of our JY Hot Spring Villas project and our Just Stay Hotel in Panyu, Guangzhou. We also have certain commercial properties in Panyu for investment and have acquired certain commercial properties which will be held for sale in Zhongshan. We may retain the office and shop premises in our projects for leasing in the future.

OUR COMPETITIVE STRENGTHS

We believe that our accurate positioning as an “Eco-friendly and People-oriented Property Developer” has distinguished us from our competitors. We believe that led by our strong and loyal senior management team, the following competitive strengths will continue to contribute to our future success.

Ability to identify and acquire strategically located land reserves and develop diverse residential properties leveraging distinctive land features

Acquisition of strategically located land reserves

Our philosophy has always been to become an “Eco-friendly and People-oriented Property Developer”. In line with this philosophy, we have acquired land reserves in strategic locations with abundant natural resources, rich culture and potential for growth. We take into account the natural and cultural resources of our project site in the design of our properties to enable our residents to truly enjoy such resources. For example, our first property project, namely JY Lychee Town (景業荔都), is located next to woods, providing city mountainous landscape view, local fresh produces and clean air which are all increasing valued qualities sought after by urban dwellers. We design our JY Lychee Town with an aim to allow the residents to enjoy the view of the woods, mountain or garden nearby and we organize lychee picking tours for our residents. It also has a farming area for residents to farm their own produce; our JY Hot Spring Villas (景業瓏泉灣) is situated in an area famous for its hot spring in Conghua, Guangdong and each house in the project is equipped with a hot spring pool; our JY Clearwater Bay No. 3 (景業清水灣3號) and our JY Well-being Valley are located in Hainan, a vacation destination with pleasant climate; and our JY Gaoligong Town (景業高黎貢小鎮) is located in hot spring geological area in Yunnan with temperate climate, clean air and surrounded by scenic landscape. Our JY Gaoligong Town adopted Chinese ancient “Song” (宋) dynasty architectural style, with courtyards and lanes (巷) connecting houses within the project, and modern Chinese style interior decoration. We also designed an iconic clubhouse for this project, which houses events such as folk music festival, photography competition, and folk art markets to provide art and cultural experience to potential customers. Recently, we have expanded our product portfolio into developing residential properties that cater for the need of first home buyers, which include JY Donghuzhou Haoyuan, JY Grand Garden and JY Mountain Lake Gulf.

Satellite cities and towns surrounding provincial capitals and locations along high speed rail network are also preferred locations for our projects. For example, Yingde, Qingyuan, where our JY Grand Garden, JY Qingyuan City Jinxiong Project, JY Canglong Bay Project and JY Yonghua Shijia Project are located, is connected by high-speed railway connection and joined the half-an-hour living circle of Greater Guangzhou according to Cushman & Wakefield. This makes our projects in Qingyuan more attractive. Other than Qingyuan, our Zhaoqing International Innovation and Technology Center in Zhaoqing and our JY Mountain Lake Gulf in Zhuzhou are connected to Guangzhou and Changsha city by high speed train also.

We also favor locations without price restriction and purchase restriction policies. Through acquisition of strategically selected project sites, we add land parcels of desirable quality to our land reserve. We focus on cities that we consider to have high potential for future development and growth and also carefully evaluate suitability of the potential sites.

Diverse residential properties leveraging distinctive features

Since our Group's founding in 2013, we have designed and developed different types for residential products leveraging distinctive features of our project sites to target second home buyers, vacation home buyers as well as customers looking for a home upgrade. In designing our projects, we carefully consider the characteristics of our project sites in coming up with the type of product and target customers that we set to capture with every project. Our first project JY Lychee Town (景業荔都) in Conghua district of Guangzhou is a sub-urban area of Guangzhou which we believe can attract Guangzhou residents looking for a more spacious home, at the same time it also has the scenery landscape and tranquility to attract second home buyers. It mainly consists of apartments. Our second project JY Clearwater Bay No. 3 (景業清水灣3號) in Lingshui, Hainan targets vacation home buyers and mainly consist of low-rise houses as well as apartments. Our JY Hot Spring Villas (景業瓏泉灣) is situated at an area famous for its hot spring in Conghua, Guangdong. At that site, we developed a resort as well as a series of low-rise houses targeting vacation home buyers. Recently, we have expanded our product portfolio into developing residential properties that cater for the need of first home buyers and our first such project is our JY Donghuzhou Haoyuan (景業東湖洲豪園) in Nansha, Guangzhou, Guangdong, which is followed by JY Grand Garden (景業雍景園) in Qingyuan City, Guangdong, and JY Mountain Lake Gulf (景業山湖灣) in Zhuzhou, Hunan.

Meanwhile, our strong property development capability is well recognized by the media. In 2020, we were recognized in 中國房地產卓越100榜-2020中國房地產行業新晉上市表現十強 (the Top 100 Companies in the China Real Estate Industry – 2020 Top 10 New Listings in the China Real Estate Industry Award) by 觀點指數研究院 (Viewpoint Index Institute), 展示中心類別及大眾評審獎 (2020 Architizer A+ Awards – Showroom Shortlist Category and Popular Choice Winners) from Architizer.com, and were awarded 第六屆CREDAWARD地產設計大獎(中國)居住類金獎 (Golden Prize of Residence for the Sixth CREDAWARD Real Estate Design Awards in China) by 地建師 (DJSER.com). In 2019, our JY Lychee Town received 廣東省綠色住區 (Green Residential Area in Guangdong Province) award from 廣東省房地產行業協會 (Guangdong Province Real Estate Trade Association). In 2018, we received, among others, 工匠精神地產品牌獎 (Spirit of Craftsmanship Real Property Brand Award) from 華夏時報 (China Times), our JY Gaoligong Town received the award of 羊盟好項目 (“Yang Meng” Quality Project) by Yangcheng Design Alliance, Guangzhou City Space Design Association (羊城設計聯盟·廣州市空間設計協會) and our Just Stay Resort was awarded Winner for “Space” category by K-Design Award. In 2017, we were recognized by the “Most Influential Enterprise of the Year” issued by fzg360.com which is a property website in the PRC and the “Up and coming Enterprise” issued by Anjuke which is another a property website in the PRC. In 2016, we were awarded the “Property brand with the most cultural influence” by Yangcheng Evening News (羊城晚報).

Flexible means to acquire desirable project sites

We adopt flexible means to acquire desirable project sites. We acquire land for project development through (i) acquiring equity interest in companies holding such land, (ii) jointly developing land with original land owners; (iii) bidding for land in auction or listing-for-sale activities organized by government, (iv) acquiring old factories for redevelopment under the “Urban Renewal Policy” (城市更新改造政策), as well as (v) obtaining land use rights by entering into land use right transfer agreements with owners of collectively-owned construction land.

We have adopted all of the above means to acquire land for our business development. For example, JY Lychee Town and JY Clearwater Bay No.3 Phases I to III are developed on land acquired through acquiring equity interest in companies holding the land; JY Donghuzhou Haoyuan is a project jointly developed with original land owner; JY Gaoligong Town, JY Mountain Lake Gulf and Zhaoqing International Technology and Innovation Center are located on land acquired in listing-for sale activities; JY Grandmark Building, JY Guangzhou Asian Games City Area Project as well as JY Qingyuan City Jinxiong Project are expected to be developed on land covered by “Urban Renewal Policy”; and our JY Maofengshan Project is planned to be developed on collectively-owned construction land for which we are in the process of obtaining the land use rights.

We believe that our ability to obtain land through different means increases our chance to acquire suitable land for our projects at desirable costs, which in turn facilitate us to achieve higher profit margin. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our land costs were RMB119.0 million, RMB189.8 million RMB350.0 million (US\$49.6 million) and RMB53.7 million (US\$7.6 million), respectively, which accounted for 23.9%, 25.6%, 30.0% and 11.1% of our cost of properties sold for the corresponding period.

Stably growing business and financial performance

As of June 30, 2020, we had completed 11 project phases, had six project phases under development and four of which had commenced pre-sale activities, and held 15 project phases for our future development. Notwithstanding our growth, we remain prudent in financing our projects. Our net debt to equity ratio as of December 31, 2017, 2018 and 2019 and June 30, 2020 were 194.1%, 42.0%, 47.1% and 67.2%, respectively.

We experienced increases in our revenue, gross profit margin, as well as our EBITDA margin from the year ended December 31, 2017 to the year ended December 31, 2018 and then to the year ended December 31, 2019. Our property development business contributed to over 90% of our Group's revenue, profits and assets. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue from our property development and sales business were RMB783.4 million, RMB1,245.8 million, RMB2,290.3 million (US\$324.2 million) and RMB884.7 million (US\$125.2 million), respectively, representing a growth of 59.0% from the year ended December 31, 2017 to the year ended December 31, 2018, 83.8% from the year ended December 31, 2018 to the year ended December 31, 2019 and 24.2% from the six months ended June 30, 2019 to the six months ended June 30, 2020. Our gross profit margin during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were 32.2%, 38.6%, 47.6% and 43.7%, respectively, while the gross profit margin of our property development business have increased from 36.4% for the year ended December 31, 2017 to 40.4% for the year ended December 31, 2018, and further to 49.1% in the year ended December 31, 2019. Our growth profit margin decreased to 45.3% for the six months ended June 30, 2020 from 54.8% for the six months ended June 30, 2019. Excluding the non-recurring expenses of listing expenses, fair value gains on investment properties and gains on disposal of subsidiaries, our EBITDA margin were 21.9%, 26.6%, 38.6% and 37.6% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Quality control and cost efficiency by meticulous project management

We believe that quality is the key to our success. Therefore, we place emphasis in our project design and planning process and adopt stringent quality control policies at different stages of the property development process, which enable us to closely monitor the construction quality. We have developed standardized property development procedures covering the entire life cycle of a property project, and systematic monitoring and reporting system with an aim to enhance operation efficiency, expedite asset turnover and to ensure consistent high quality and cost control of our projects. We have detailed breakdown of key work-streams for each stage of the property development process, with clear division of responsibilities among responsible personnel and related parties, and we closely monitor our employees and contractors to promote uniform practice and standard in our projects.

At the project design and planning stage, our design center typically conducts site visits to potential sites for our projects, conducts market research, and develops quality and tailored products based on the regional characteristics of the project sites. We conduct due diligence in the selection of design firms for our project design, as well as raw materials suppliers and construction contractors for the construction work of our projects and regularly inspect and review the qualification and performances of these service providers to ensure they fulfill our quality standard.

During the construction process, our construction contractors are required to follow our standardized technical and quality control guidelines that set out our requirements as to quality control standards in the construction process. Our engineering center, together with the construction supervision companies engaged by us will conduct regular inspection on the building materials and workmanship on site to ensure that the quality of the relevant construction work satisfies our stipulated standard.

To achieve cost efficiency, we adopt cost control measures to control our development costs at different stages of the development process of our properties. At design stage, our design center works with our costing center to meet the budget of each project by adjusting the design. We generally select our construction contractors through obtaining price quotes from a number of contractors before commencement of construction work. Under such selection process, we assess, among others, the fee quotes of construction work and select those construction contractors who can provide quality work at lower costs. Where we are responsible for acquiring raw materials on our own, we generally seek quotations from potential suppliers with a view to acquiring such raw materials at relatively low costs. Where any cost overrun is expected or detected during construction stage, we also work with the on-site engineering center to fine-tune the construction plan. Our finance center also brings noted unusual costs to the attention of relevant center, and in serious cases, require that center to provide reasons for such costs.

We believe that our standardized property development and management procedures, coupled with our strong execution capabilities enable us to lower our construction cost, manage the process of property development efficiently, ensure consistent product quality, and more importantly, to replicate our success when we enter new markets and boost Shareholders' return.

Experienced and dedicated management team enabling the successful development of our business

We are led by a professional and dedicated management team with substantial experience in the real estate development industry in the PRC. Our Chairman Mr. Michael Chan was awarded “Real Estate Innovator in 2018” (「2018年度地產創新人物」) by China Times (《華夏時報》), and “New China's Real Estate Leader of the Year” (「中國房地產年度新領軍人物」) by China International Real Estate & Architectural Technology Fair (CIHAF) (中國國際房地產與建築科技展覽會) in 2019. Most of our executive Directors and members of our senior management have extensive experience and expertise in their respective fields including property development, hotel operations, finance, accounting and management. For instance, Mr. Liu Huaxi, vice chairman of our Company, was named “Person of the Year” (年度影響力風雲人物) for 2015-2016 Zhongshan Zhuhai Jiangmen Real Estate Overall Rating* (中珠江樓市總評榜) by Sohu and www.focus.cn in 2016. Ms. Catherine Zheng, our executive Director and president, was awarded “Outstanding Female Entrepreneur of Guangdong Province” (廣東省優秀女企業家) by Guangdong Female Entrepreneur Association* (廣東省女企業家協會) in May 2013. Mr. Wu Xinping and Mr. Xue Shuangyou, our executive Directors and vice presidents, have over 19 and 20 years of experience in the real estate development industry in the PRC, respectively. Our operation teams such as project design, costing and sales are also led by leaders experienced in their field of work and has prior working experiences in property development industry in China. With their diverse knowledge and rich industry experience, we are well positioned to make strategic plans to seize potential opportunities to expand our land bank and develop quality properties demanded by our target customers.

Furthermore, we have committed employees with experience in their respective fields of work. We provide our employees with vocational training and conduct performance review to enhance their competency and expertise. We believe under the vision and leadership of such capable and experienced management team, along with their commitment to sound business practice and provision of quality products and services to customers, we will be able to respond promptly to the fast-changing trends and demands in the PRC property market and achieve sustainable growth.

OUR BUSINESS STRATEGIES

We intend to implement the following business strategies to achieve our goal to become a high quality and high profit “Eco-friendly and People-oriented Property Developer” in the PRC:

Enhance our presence in existing markets and strategically develop into selected markets

In terms of geographical market, our strategy is to focus on areas covered by China's national development strategies, in particular, Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區) and areas covered by the Belt and Road Initiative (一帶一路) within mainland China. We believe the PRC government's policy to give priority to the development of the Guangdong – Hong Kong – Macao Greater Bay Area will lead to rapid growth in economy and urbanization in Guangdong Province, whereas its plan to develop Hainan Province into an international free trade zone will further open up the province's market and economy to foreign investors, leading to economic growth and increase in local purchasing power and consumption. According to Cushman & Wakefield, the Yangtze River Economic Belt Strategy that was announced in 2016 gave great emphasis in the development of Zhuzhou. We also believe that the Belt and Road Initiative will bring business opportunities to and drive the urbanization of western China provinces. These factors will cause the demand for high quality properties and vacation-lifestyle residential properties in these regions to increase.

As of June 30, 2020, we had completed projects as well as project phases having commenced pre-sale activities in Guangdong province (Conghua, Nansha and Qingyuan City), Hainan province (Lingshui), Yunnan province (Tengchong) and Hunan province (Zhuzhou). We will continue to develop high quality properties in these provinces to expand our scale of operations and increase our market share. Going forward, we plan to leverage our brand name, extensive experience and sophisticated property development capacities to strategically expand into a number of new locations such as Panyu and Baiyun districts in Guangzhou and Zhaoqing. As of June 30, 2020, we held land with an aggregate GFA of approximately 2.9 million sq.m. attributable to us for our future development.

In addition to new locations, we are also diversifying in terms of property types. The majority of our projects are residential properties, with one resort within our JY Hot Spring Villas. Our Zhaoqing International Technology and Innovation Center (肇慶國際科創中心) is planned to be a commercial and residential property project with technology and innovation incubator, office buildings, and residential properties, which aim to introduce a platform for the incubation of domestic high-technology enterprises. We also plan to launch another commercial property project in Panyu, Guangzhou, namely JY Grandmark Building, which is planned to be an office building. Our JY Well-being Valley, which is a residential project featuring leisure, vacation and well-being concepts in Lingao, Hainan, represents our first step in developing a specialty residential project.

Further develop our brand into a “360° Asset and Lifestyle Service Provider (360°資產生活服務商)”

We consider that our business relationship with our home buyers does not end with delivery of property purchased. We are taking steps to develop our brand into a “360° Asset and Lifestyle Service Provider (360°資產生活服務商)” with an aim to provide all-round services for convenient-living to owners of properties that we developed. Other than our principal business of property development and sales, we will continue to explore opportunities and cooperate with different business partners to provide various services to our residents and to identify suitable sites for expanding our commercial properties investment. Since September 2018, our property management business has been fully operated by our Group without sub-contracting any operations. We will proactively seek feedback from our customers and improve quality of the fitting out work and property management services at our developed properties, especially the services of the “Celebrity Club (名仕會)”, to suit their various needs. We will further enhance our hotel operations to build our brand image and attract more customers.

Maintain our diversified land acquisition strategies to capture profitable opportunities

We adopt flexible means to acquire desirable project sites and believe that it increases our chance to acquire suitable land for our projects at desirable costs, which in turn facilitate us to achieve higher profit margin. For details see “Our Competitive Strengths – Flexible means to acquire desirable project sites”. We intend to continue to seek new and suitable opportunities and adopt our diversified land acquisition strategies to acquire land reserves that meet our selection criteria in the PRC. For instance, we intend to explore and participate in public investment activities relating to old village redevelopment projects in the urban areas in Guangzhou under the “Urban Renewal Policy” so as to obtain the cooperative qualification for old village redevelopment projects, and acquire land which is available for development through investing in old village redevelopment. We plan to participate in old village redevelopment projects with the relevant land which has been included in the annual redevelopment plan under the “Urban Renewal Policy” and has good transportation network, and acquire land which is available for development into residential and/or commercial properties through such projects. Suitable and sufficient land reserves serve as a solid backbone to support our future development against changes in government policies or increase in land costs. We will continue to conduct market research on the macroeconomic conditions, government policies and growth potential of the property market before we make land acquisitions in future.

We intend to continue to prioritize our financial resources towards what we believe to be the most profitable opportunities by selectively targeting at areas which we believe has high growth potential and acquiring lands there at competitive costs. We will adhere to the strategy of not accumulating excessive land reserves while maintaining our projects and land bank at a level sufficient for development. Specifically, we aim to avoid over-priced land but invest selectively and timely when we acquire resources for our future projects. When replenishing our land bank, we mainly target at land parcels with attributes and infrastructure that complement our positioning and meet the needs and demands of our customers. We will strive to continue to respond to market changes timely and effectively. On our financial management front, we take prudent measures to maintain sufficient liquidity and adequate cash balance to cover borrowings.

Continue to improve our customer-oriented product offerings and enhance our brand recognition and customer loyalty

We believe that the offering of high quality properties which satisfy the demands of our target customers is crucial to building our brand image and securing customer loyalty. Hence, we will continue to analyze the characteristics of our target customers, and design our product offerings based on their preferences and demands. We typically consider the regional characteristics of the project sites, market trends and customer feedback in creating designs for our properties which we believe will satisfy our customers' needs. We will strengthen our quality control policies as well as examination and inspection procedures to closely monitor the quality of our property projects throughout all stages of property development to ensure the quality of our properties are up to our standard. We will fortify our relationship with design firms, raw materials suppliers and construction contractors to develop high quality properties with architectural and landscape designs that offer comfortable and convenient living environment to our target customers.

Further, we intend to enhance our brand recognition through marketing initiatives such as advertising campaigns, organizing activities such as cultural, art, economic analytical activities, cultural sports competitions and cross-brand cooperation, holding feasts, and sponsoring sports and charity activities. We believe the promotion of our brand image can amplify the value of our properties and facilitate to increase customer satisfaction and loyalty.

Adopt a balanced and systematic approach to achieve sustainable and profitable future growth

We will adopt a balanced and systematic approach to achieve sustainable and profitable future growth for our property development projects. We will continue to strengthen our market research analysis capability and land selection and acquisition procedures, and enhance the coordination between our different departments so that they can continue to prepare feasibility study and forecast to support our business growth. We believe an enhanced land acquisition evaluation model can help us better identify potentially high-premium projects and obtain quality land at competitive costs. We will continue to strengthen our management capability and systemize our business procedures so as to increase efficiency in our business operations and our management of project development, sales and marketing and customer services activities. We will also allocate resources to enhance procurement and sales and marketing activities in order to reduce our development and operational costs. We believe these measures will enable us to further shorten our development cycle and achieve sustainable and profitable growth.

Adhere to prudent financial policies and proactive management of our capital structure

We plan to continue to adhere to prudent internal financial policies and carefully manage our land acquisition costs, construction costs and operating expenses. We have adopted and aim to refine various measures to control our costs and expenses and monitor our cash flow such as preparing budget plans and conducting cost assessments and reviews throughout our property development process, implementing centralized procurement and formulating financial policies to manage our administrative expenses and sales and marketing costs. We aim to utilize our working capital more efficiently through prudent cost management. We also pay attention to the changes in market conditions and government policies to identify and consider potential opportunities.

We review our gearing ratio to monitor our capital and indebtedness level. We plan to continue to analyze the maturity profiles of our borrowings and manage our liquidity level to ensure sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will also review leverage that we use, with reference to cost, equity size and profit impact, when acquiring new land to expand our business operations.

We have and will continue to seek business opportunities to cooperate with business partners to jointly develop projects in order to reduce our capital commitment. We will also remain proactive in managing our capital structure to meet our ongoing capital requirements.

RECENT DEVELOPMENT

The Recent COVID-19 Outbreak

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness in the city of Wuhan. They quickly determined that it was a coronavirus, and that it was rapidly spreading through and outside of Wuhan. Several cities in China have been under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious novel coronavirus. 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. To mitigate the negative impact on our property sales business, we proactively launched online sales and promoted our properties through a number of social media platforms. Our hotel operations were also affected by the COVID-19 outbreak, but we have since resumed the operations in Just Stay Resort in early April. The coronavirus outbreak poses potential risks to our business operation and financial condition. See “Risk Factors – Risks Relating to Doing Business in the PRC – The COVID-19 pandemic has adversely affected, and may continue to adversely affect, the PRC economy and our business operations.”

Land Acquisition

On July 14, 2020, Guangzhou Yinong Enterprise Co., Ltd. (廣州意濃實業有限公司) (“Guangzhou Yinong”), an indirect wholly owned subsidiary of the Company, successfully acquired 51% of equity interest in a land parcel located in Kengbei Village in Zengcheng, Guangzhou, with a total GFA of 96,000 sq.m. On December 11, 2020, Guangzhou Yinong has successfully bid for a land parcel on the west side of Xincheng Avenue, Shitan Town, Zengcheng District, Guangzhou, with an approximate site area of 26,939 sq.m.

On December 22, 2020, Jingmao Holdings (HK) Ltd., an indirect non-wholly owned subsidiary of the Company, successfully bid for a land parcel located in Liuhe District, Nanjing, with a site area of approximately 49,989 sq.m.

Syndicated Loan Agreement

On December 29, 2020, we as the borrower, Hang Seng Bank Limited as the facility agent and mandated lead arranger and certain other financial institutional as lenders, entered into a facilities agreement in the aggregate principal amount of HK\$734,000,000 for a term of 36 months subject to terms and conditions set out therein. We subsequently paid off an aggregate principal amount of approximately HK\$683.3 million of term loan facilities with Hang Seng Bank Limited, Chong Hing Bank Limited, and the Bank of East Asia, Limited.

Concurrent Offer to Exchange

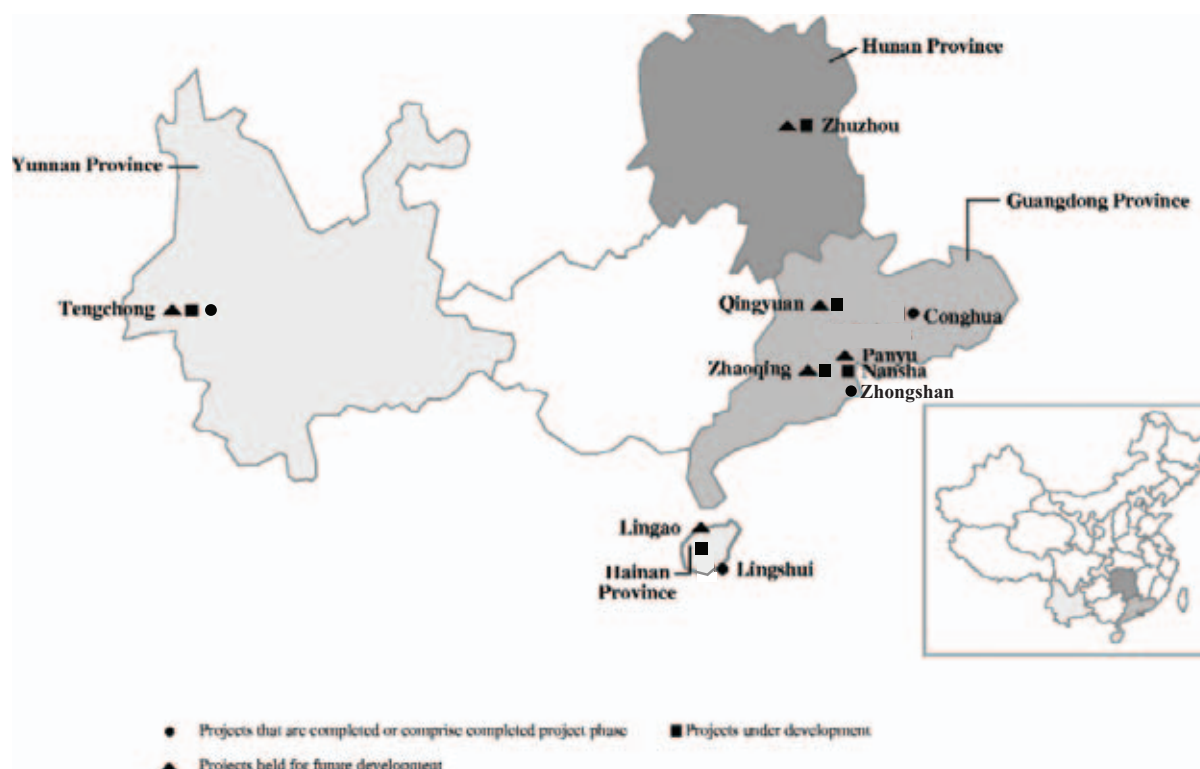
On January 25, 2021, the Company commenced a concurrent offer to exchange any and all of its outstanding 7.5% senior notes due 2021 upon the terms and subject to the conditions set forth in the exchange offer memorandum dated January 25, 2021. The Concurrent Exchange Offer expired at 4:00 p.m., London time, on February 1, 2021. As of the expiration time, US\$137,500,000 of the 7.5% senior notes due 2021, representing approximately 91.67% of the total aggregate principal amount of such notes outstanding, have been validly tendered for exchange and accepted pursuant to the Concurrent Exchange Offer. Upon completion of the Concurrent Exchange Offer, we expect to issue US\$137,500,000 in principal amount of the Exchange Notes.

OUR PROPERTY PROJECTS

Overview

We mainly focused on the development of quality residential properties. As of June 30, 2020, our property portfolio consisted of 11 completed project phases, six project phases under development and 15 project phases held for future development. These 32 property project phases are in 10 locations with an aggregate GFA attributable to us of approximately 3.9 million sq.m., comprising completed properties available for sale or lease with an aggregate GFA of approximately 0.2 million sq.m., properties under development with an aggregate GFA of approximately 0.8 million sq.m. and properties held for future development with an aggregate GFA of approximately 2.9 million sq.m.

Our properties are situated at Guangdong, Hainan, Yunnan and Hunan provinces. The following map shows the geographical locations of our property portfolio as of June 30, 2020



Classification of our Property Projects

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

- **“completed projects or project phases”** refer to projects or project phases for which the required land use rights certificates issued by the relevant government authorities and the first completed property inspection filings from the relevant government construction authorities have been obtained;
- **“projects or project phases under development”** refer to projects or project phases in which the required land use rights certificates and the first construction work commencement permit have been obtained but a completed property inspection filings has not been obtained; and
- **“projects or project phases held for future development”** refer to projects or project phases for which (i) the land use rights certificate has been obtained, or old factory buildings have been acquired for redevelopment, but have not obtained the requisite construction work commencement permits; or (ii) we have signed a land grant contract or a transaction confirmation in land tender, auction or listing-for-sale activities with relevant government authorities, but have not obtained 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.

The commencement dates relating to each project or each phase of a project refers to the date construction of the first building of the project or phase first commenced. The completion dates set out in the description of our completed projects or phases refer to the dates on which the first completed property inspection filings 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 dates and estimated future development costs reflect our best estimate based on our current development plans.

Site area is calculated as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use right certificates; or
- for projects or phases for which we have not obtained land use rights, based on the relevant land grant contracts or transaction confirmation in land tender, auction or listing-for-sale activities.

Total GFA is calculated as follows:

- for projects and phases that are completed, based upon relevant property ownership certificate or completed property inspection filings;
- for projects and phases that are under development, based upon the relevant construction work commencement permit or construction work planning permit, or other documents issued by relevant government authorities; and
- for projects and phases that are held for future development, based upon our internal records and development plans which are subject to change. Total GFA shall not exceed the product of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts, or the GFA as stated in other approval documents from the local governments relating to the project.

Total GFA as used in this offering memorandum is comprised of salable GFA and non-salable GFA. Non-salable 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, for which sale is not permitted. Salable GFA as used in this offering memorandum refers to the floor area exclusive of non-salable GFA. Salable GFA is further divided into salable GFA pre-sold/sold and salable GFA unsold. A property is pre-sold when we have executed the sale and purchase contract but have not issued the notice of delivery of property to the customer yet. A property is considered sold after we have executed the sale and purchase contract with a customer and have issued the notice of delivery of property to the customer. Salable GFA does not include salable GFA sold.

Total salable GFA is calculated as follows:

- for projects and phases that are completed, based on the relevant property ownership certificate or completed property inspection filings, but where no such information is stated on these documents, relevant information is extracted from the pre-sale permit, construction work planning permit or other documents issued by government authority; and
- for projects and phases under development, based upon (i) the relevant pre-sale permit, or (ii) the construction work commencement permit or construction work planning permit if the pre-sale permit is not available, or (iii) other documents issued by relevant government authorities if none of the aforementioned documents contain such information.

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

Land Bank and Project Portfolio

The following table sets out a summary of our land bank as of June 30, 2020 in terms of geographical location:

Location	No. of project/phase	Salable GFA unsold and leasable GFA for completed properties ⁽¹⁾ (sq.m.)	GFA for properties under development ⁽¹⁾ (sq.m.)	Planned GFA for projects held for future development ⁽¹⁾ (sq.m.)	Total land bank (sq.m.)	Percentage of total land bank (%)
Guangdong (廣東省)						
Guangzhou (廣州)						
Conghua (從化)	3	65,424	—	—	65,424	1.7
Nansha (南沙)	1	25,872	—	—	25,872	0.7
Panyu (番禺)	2	—	—	51,260	51,260	1.3
Zhongshan (中山)	1	54,087	—	—	54,087	1.4
Qingyuan (清遠)	6	—	437,365	882,635	1,320,000	33.6
Zhaoqing (肇慶)	2	—	134,668	143,182	277,850	7.1
Hainan (海南省)						
Lingshui (陵水)	5	1,022	—	—	1,022	0
Lingao (臨高)	3	—	25,329	134,406	159,735	4.1
Yunnan (雲南省)						
Tengchong (騰衝)	5	82,024	24,769	1,188,858	1,295,651	33.0
Hunan (湖南省)						
Zhuzhou (株洲)	4	—	131,556	540,950	672,506	17.1
Total	32	228,429	753,687	2,941,291	3,923,407	100.0

Note: For projects held by our non-wholly-owned subsidiaries and associated companies, the GFA is adjusted by our equity interest in the respective project.

Average land costs attributable to our Group as of June 30, 2020, calculated as our total land costs divided by the total land bank of our projects (excluding the land bank of Zhongshan Yueying Xincheng which are completed held-for-sale properties acquired by our Group), was approximately RMB808 per sq.m.

Summary on Our Property Projects

The following table sets forth a summary of our property projects and project phases that are completed, under development and held for future development as of June 30, 2020:

Project	Location	Actual/Estimated Construction Commencement Date ⁽¹⁾	Actual/Estimated Pre-sale Commencement Date ⁽²⁾	Actual/Estimated Construction Completion Date ⁽³⁾	Site Area ⁽⁴⁾ (sq.m.)	Completed			Under Development			Future Development			Group's Interest in the Project as of June 30, 2020 ⁽⁹⁾ (%)
						Saleable GFA Sold ⁽⁵⁾ (sq.m.)	Completed salable GFA and unsold Leasable GFA ⁽⁶⁾ (sq.m.)	Total GFA Completed ⁽⁷⁾ (sq.m.)	GFA Pre-Sold ⁽⁵⁾ (sq.m.)	Stable/Leasable GFA ⁽⁶⁾ (sq.m.)	Total GFA Under Development ⁽⁷⁾ (sq.m.)	GFA with Land Use Right not yet Obtained (sq.m.)	Total Estimated GFA for Future Development ⁽⁷⁾ (sq.m.)		
Completed projects															
1.	JY Lychee Town Phase I	Conghua, Guangzhou, Guangdong	August 2014 ⁽¹⁰⁾	September 2014	December 2015	70,385	89,077	6,198	108,402	—	—	—	—	—	100.0
2.	JY Lychee Town Phase II	Conghua, Guangdong	June 2016	April 2017	October 2018	70,385	67,917	45,794	118,500	—	—	—	—	—	100.0
3.	JY Hot Spring Villas	Conghua, Guangdong	July 2014	July 2017 ⁽¹²⁾	October 2016	131,091	9,245	13,432	44,521	—	—	—	—	—	100.0
4.	JY Clearwater Bay No. 3 Phase I	Lingshui, Hainan	July 2014 ⁽¹⁰⁾	February 2015	December 2015	83,375	33,079	333	39,491	—	—	—	—	—	100.0
5.	JY Clearwater Bay No. 3 Phase II	Lingshui, Hainan	October 2015	October 2015	December 2016	67,770	26,257	232	28,081	—	—	—	—	—	100.0
6.	JY Clearwater Bay No. 3 Phase III	Lingshui, Hainan	September 2016 ⁽¹⁰⁾	December 2016	July 2018	121,631	77,626	—	89,981	—	—	—	—	—	100.0
7.	JY Clearwater Bay No. 3 Phase VI	Lingshui, Hainan	July 2017 ⁽¹⁰⁾	December 2017	June 2019	58,823	23,226	457	28,284	—	—	—	—	—	100.0
8.	JY Clearwater Bay No. 3 Phase VII	Lingshui, Hainan	December 2017	March 2018	June 2019	48,471	19,519	—	23,352	—	—	—	—	—	100.0
9.	JY Donghuzhou Haoyuan	Nansha, Guangzhou, Guangdong	June 2016	April 2018	May 2019	59,302	20,769	26,779	53,288	—	—	—	—	—	30.0
10.	JY Yarra New Street	Guangzhou, Zhongshan, Guangdong	N/A ⁽¹⁶⁾	N/A ⁽¹⁶⁾	N/A ⁽¹⁶⁾	N/A	3,752	56,933	60,686	—	—	—	—	—	30.0
11.	JY Gaoliang Town Phase I	Guangzhou, Tenggong, Yunnan	September 2018	November 2018	December 2020	252,047	39,461	82,024	127,784	—	—	—	—	—	100.0
Projects under development															
12.	JY Grand Garden Phase I	Qingyuan, Guangdong	July 2018	January 2019	December 2020	67,812	—	—	—	96,636	253,740	261,289	—	—	100.0
13.	JY Grand Garden Phase II	Qingyuan, Guangdong	September 2019	August 2021	June 2022	67,812	—	—	—	—	176,076	176,076	—	—	100.0
14.	JY Gaoliang Town Phase II	Tenggong, Yunnan	April 2019	December 2019	December 2023	252,047	—	—	—	2,518	23,608	24,769	—	113,842	100.0
15.	JY Mountain Lake Gulf Phase I	Zhuzhou, Hunan	February 2019	March 2019	October 2020	101,175	—	—	—	32,894	126,238	131,556	—	—	100.0
16.	JY Well-being Valley Phase I	Lingao, Hainan	December 2019	July 2020	December 2020	28,779	—	—	—	—	—	—	—	3,634	100.0
17.	JY Unworld	Zhaoqing, Guangdong	November 2019	December 2019	October 2020	44,816	—	—	—	8,315	146,263	149,632	—	—	100.0

Project	Location	Completed			Under Development				Future Development			Group's Interest in the Project as of June 30, 2023 ⁽⁹⁾		
		Actual/Estimated Construction Commencement Date ⁽¹⁾	Actual/Estimated Pre-sale Commencement Date ⁽²⁾	Actual/Estimated Construction Completion Date ⁽³⁾	Site Area ⁽⁴⁾	Salaable GFA Sold ⁽⁵⁾	Completed GFA Leasable GFA ⁽⁶⁾	Total GFA Completed ⁽⁷⁾	GFA Pre-Sold ⁽⁵⁾	Salaable/Leasable GFA ⁽⁶⁾	Total GFA Under Development ⁽⁷⁾		GFA with Land Use Right not yet Obtained	Total Estimated GFA for Future Development ⁽⁷⁾
Projects held for future development														
18. JY Grandmark Building	Panyu, Guangdong	June 2022	May 2023	June 2024	8,194	—	—	—	—	—	—	—	19,610	80.0
19. JY Guangzhou Asian Games City Area Project	Panyu, Guangdong	June 2022	March 2023	June 2024	16,747	—	—	—	—	—	—	—	31,650	100.0
20. JY Well-being Valley Phase II	Lingao, Hainan	May 2021	October 2021	June 2022	59,717	—	—	—	—	—	—	—	101,230	100.0
21. JY Well-being Valley Phase III	Lingao, Hainan	May 2022	October 2022	June 2023	51,513	—	—	—	—	—	—	—	63,144	100.0
22. JY Grand Garden Phase III	Qingyuan, Guangdong	March 2021	October 2021	September 2022	26,340	—	—	—	—	—	—	—	118,531	100.0
23. JY Canglong Bay Project	Qingyuan, Guangdong	October 2020	January 2022	December 2022	75,287	—	—	—	—	—	—	—	225,862	80.0
24. JY Yonghua Shijia Project	Qingyuan, Guangdong	October 2021	May 2022	December 2023	60,877	—	—	—	—	—	—	—	182,630	80.0
25. JY Qingyuan City Jinxiong Project	Qingyuan, Guangdong	August 2021	May 2022	May 2023	160,314	—	—	—	—	—	—	—	400,784	80.0
26. JY Gaoiligong Town Phase III	Tengchong, Yunnan	October 2022	March 2023	June 2024	252,047	—	—	—	—	—	—	—	68,893	100.0
27. JY Mountain Lake Golf Phase II	Zhurzhou, Hunan	September 2022	May 2023	December 2024	101,175	—	—	—	—	—	—	—	236,787	100.0
28. JY Mountain Lake Golf Phase III	Zhurzhou, Hunan	January 2021	January 2022	June 2023	85,260	—	—	—	—	—	213,147	—	213,147	100.0
29. JY Mountain Lake Golf Phase IV	Zhurzhou, Hunan	October 2020	May 2021	December 2022	22,754	—	—	—	—	—	—	—	91,016	100.0
30. Zhaoqing International Technology and Innovation Center (Zone A)	Zhaoqing, Guangdong	July 2020	May 2021	December 2022	29,385	—	—	—	—	—	—	—	159,091	90.0
31. JY Shili Mountains and Rivers		October 2020	May 2021	June 2022	243,227	—	—	—	—	—	—	—	729,831	90.0
32. JY Cloud Mountains and Lake Valleys		April 2021	March 2022	April 2024	132,971	—	—	—	—	—	—	—	276,292	95.0
Total Land Bank⁽¹³⁾					3,162,879	409,928	291,643	785,713	140,362	725,925	774,983	213,147	3,035,972	

Notes:

- (1) Unless otherwise specified, construction commencement date refers to the date of the first construction work commencement permit for completed projects and projects under development; For projects held for future development, the date refers to the construction commencement date estimated by our Group and is subject to change.
- (2) For completed projects and projects for which pre-sale permit has been obtained, the date refers to the date of the first relevant pre-sale permit. For projects that do not have a pre-sale permit, the date refers to the pre-sale commencement date estimated by our Group and is subject to change.
- (3) For completed projects, the date refers to the date of the first relevant completed property inspection filing. For projects under development and projects held for future development, the date refers to the construction completion date estimated by our Group and is subject to change.
- (4) Where a land use right certificate has been obtained for the relevant project, the site area stated is based on the relevant land use right certificate. Where a land use right certificate has not been obtained, the site area stated is based on the relevant land grant contracts or transaction confirmation in land tender, auction and listing-for-sale activities. For projects held by our non-wholly-owned subsidiaries and associated companies, the area is adjusted by our equity interest in the respective project.
- (5) In this “Business” section, GFA sold does not include GFA pre-sold. A property is considered “sold” after our Group has executed relevant sale and purchase agreement and delivered the property to the purchaser accordingly. A property is considered delivered to a purchaser after the property has been completed, inspected and a notice of delivery of property has been issued by our Group. A property is considered “pre-sold” when our Group has executed the relevant sale and purchase agreement with a purchaser but the property has not been delivered yet. For projects held by our non-wholly-owned subsidiaries and associated companies, the area is adjusted by our equity interest in the respective project.
- (6) This includes unsold salable/leasable GFA. Leasable GFA means space that can generate rental income. We set out below the basis on which salable/leasable GFA is calculated: For completed projects, salable/leasable GFA stated is based on the relevant property ownership certificate or completed property inspection filings, but where no such information is stated on these documents, relevant information is extracted from the pre-sale permit, construction work planning permit or other documents issued by government authorities. For projects under development, salable/leasable GFA stated is based on (i) the relevant pre-sale permit, or (ii) construction work commencement permit and construction work planning permit if pre-sale permit is not available, or (iii) other documents issued by relevant government authorities if the none of the aforementioned documents contain such information. For projects held by our non-wholly-owned subsidiaries and associated companies, the area is adjusted by our equity interest in the respective project.
- (7) For completed projects, total GFA stated is based on relevant property ownership certificate or the completed property inspection filings. For projects under development, total GFA stated is based upon the relevant construction work commencement permit or construction work planning permit, or other documents issued by relevant government authorities. For projects held for future development, total GFA stated is based upon our internal records and development plans which are subject to change. Total GFA shall not exceed the product of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts, or the GFA as stated in other approval documents from the local governments relating to the project. For projects held by our non-wholly-owned subsidiaries and associated companies, the area is adjusted by our equity interest in the respective project.
- (8) Values stated are based on our effective equity interest in the respective project companies as of June 30, 2020.
- (9) Relevant land use right certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.
- (10) Refers to the actual construction commencement date.
- (11) Total land bank equals to the sum of (i) total unsold salable/leasable GFA for completed projects, (ii) total GFA for projects under development and (iii) total GFA for projects held for future development. For projects held by our non-wholly-owned subsidiaries and associated companies, total GFA will be adjusted by our equity interest in the respective project.
- (12) Sales of this project commenced after completion of the properties and there was no pre-sale.
- (13) Two parcels of land were used as a whole to develop these two project phases. Breakdown of site area for each phase was not available.
- (14) Relevant land use right certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.
- (15) Relevant land use right certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.
- (16) Zhongshan Yueying Xincheng were certain completed commercial properties acquired by us through acquiring Zhongshan Yueheng. Such commercial properties form part of our land reserve and are held for sale.

OUR PROPERTY PROJECTS

Completed Projects

Guangzhou

JY Lychee Town (景業荔都)

JY Lychee Town (景業荔都) is the first property project developed by our Group in the PRC and is located in Conghua District, Guangzhou, Guangdong. The project consists of two phases, both Phase I and Phase II were completed. The project is developed by Guangzhou Yinong. The project occupies a total site area of approximately 70,385 sq.m. and is surrounded by woods, providing city mountainous landscape view. The Guangzhou Metro Line 14 started operation at the end of 2018, bringing Conghua into the half-an-hour living circle of Greater Guangzhou. The community has well-established facilities such as kindergarten, supermarket and swimming pool.



1. JY Lychee Town Phase I (景業荔都第一期)

JY Lychee Town Phase I (景業荔都第一期) is a residential property project located in Conghua District, Guangzhou, Guangdong. It has an aggregate GFA of approximately 108,402 sq.m. It comprises seven blocks of residential buildings with 14 to 26 stories and one block of low-rise house with two stories. We obtained the certificate of completion of this project in December 2015. As of June 30, 2020, there was 6,198 sq.m. of salable GFA unsold.

2. JY Lychee Town Phase II (景業荔都第二期)

JY Lychee Town Phase II (景業荔都第二期) is a residential property project located in Conghua District, Guangzhou, Guangdong. It has total GFA of 118,500 sq.m. It consists of eight blocks of residential buildings with 11 to 26 stories. We obtained the certificate of completion of this project in October 2018. As of June 30, 2020, there was 45,794 sq.m. of salable GFA unsold.

3. JY Hot Spring Villas (景業瓏泉灣)



JY Hot Spring Villas (景業瓏泉灣) is a commercial property project situated at Conghua District, Guangzhou, Guangdong, which is next to Just Stay Resort (從化卓思道溫泉度假酒店) operated by us. Located at a famous hot spring area, it is surrounded by mountains and is close to a river. It occupies a total site area of 131,091 sq.m. together with Just Stay Resort. It has an aggregate GFA of approximately 44,521 sq.m. It comprises 101 units of low-rise house. Currently, 39 out of the 101 units of low-rise house are operated as part of our Just Stay Resort, but may be sold in future. Each property is equipped with a private hot spring pool.

The project is developed by Guangzhou Jingye. The certificate of completion of this project was obtained in October 2016. As of June 30, 2020, there was 13,432 sq.m. of saleable GFA unsold.

Lingshui

JY Clearwater Bay No. 3 (景業清水灣3號)

JY Clearwater Bay No. 3 (景業清水灣3號) is a property project located in Lingshui Lizu Autonomous County, Hainan. The project consists of five phases which were all completed. The project is developed by Hainan Jingye.

4. JY Clearwater Bay No. 3 Phase I (景業清水灣3號第一期)



JY Clearwater Bay No. 3 Phase I (景業清水灣3號第一期) is a residential property project situated at Lingshui Lizu Autonomous County, Hainan. It is encompassed by golf courses with rich greenery. It occupies a total site area of approximately 83,375 sq.m. and an aggregate GFA of approximately 39,491 sq.m. It comprises two blocks of residential buildings with seven stories and 139 units of low-rise house.

The completion inspection filing of this project was obtained in December 2015. As of June 30, 2020, there was 333 sq.m. of salable GFA unsold.

5. JY Clearwater Bay No. 3 Phase II (景業清水灣3號第二期)



JY Clearwater Bay No. 3 Phase II (景業清水灣3號第二期) is a residential property project situated at Lingshui Lizu Autonomous County, Hainan. It occupies a total site area of approximately 67,770 sq.m. and an aggregate GFA of approximately 28,081 sq.m. It comprises two blocks of residential buildings with six to seven stories and 120 units of low-rise house.

The certificate of completion of this project was obtained in December 2016. As of June 30, 2020, there was 232 sq.m. of salable GFA unsold.

6. JY Clearwater Bay No. 3 Phase III (景業清水灣3號第三期)



JY Clearwater Bay No. 3 Phase III (景業清水灣3號第三期) is a residential property project located in Lingshui Lizu Autonomous County, Hainan, and is in proximity to coastline and mountains. It occupies a total site area of approximately 121,631 sq.m. and an aggregate GFA of approximately 89,981 sq.m. It consists of four blocks of residential buildings with 16 to 24 stories and 236 units of low-rise house.

Construction of this project commenced in September 2016 and certificate of completion was obtained in July 2018. As of June 30, 2020, there was nil GFA unsold.

7. JY Clearwater Bay No. 3 Phase VI (景業清水灣3號第六期)

JY Clearwater Bay No. 3 Phase VI (景業清水灣3號第六期) is a residential property project located in Lingshui Lizu Autonomous County, Hainan. It provides scenery of golf courses and coastline. It occupies a total site area of approximately 58,823 sq.m. and an aggregate GFA of approximately 28,284 sq.m. It is expected to consist of three blocks of residential buildings with 15 stories and 108 units of low-rise house.

Construction of this project commenced in July 2017 and completed in June 2019. We commenced the pre-sale of this project in December 2017. As of June 30, 2020, there was 457 sq.m. of salable GFA unsold.

8. JY Clearwater Bay No. 3 Phase VII (景業清水灣3號第七期)

JY Clearwater Bay No. 3 Phase VII (景業清水灣3號第七期) is a residential property project located in Lingshui Lizu Autonomous County, Hainan. It is encompassed by golf courses with rich greenery. It occupies a total site area of approximately 48,471 sq.m. and an aggregate GFA of approximately 23,352 sq.m. It is expected to consist of three blocks of residential buildings with 14 stories and 76 units of low-rise house.

The construction of this project commenced in December 2017 and completed in June 2019. We commenced the pre-sale of this project in March 2018. As of June 30, 2020, there was nil GFA unsold.

Guangzhou

9. JY Donghuzhou Haoyuan (景業東湖洲豪園)



JY Donghuzhou Haoyuan (景業東湖洲豪園) is a residential property project situated at Nansha Free Trade Zone, Guangzhou, Guangdong which is in proximity to Nanheng station of Guangzhou Metro Line No. 4. It occupies a total site area of approximately 59,302 sq.m. and an aggregate GFA of approximately 116,629 sq.m. It is expected to consist of 10 blocks of residential buildings with 15 to 17 stories.

The construction of this project commenced in June 2016 and is completed in May 2019. We commenced the pre-sale of this project in April 2018.

Zhongshan

10. Zhongshan Yueying Xincheng (中山悦盈新城)

Please see paragraphs headed “Commercial properties held for sale” in this section for details of these properties, which were completed commercial properties acquired by us through acquiring Zhongshan Yueheng and held for sale.

Qingyuan

JY Grand Garden (景業雍景園) is a residential property project in Qingyuan. The project consists of three phases. Phase I was under development while phases II and III were held for future development as of September 30, 2019. The project is developed by Yingde Shanhuju, of which the Group acquired a majority interest in October 2017. As of June 30, 2020, our Group held 100% interest in Yingde Shanhuju. Phase I and phase II of the project share two plots of land with aggregate site area of approximately 67,812 sq.m, while phase III of the project has a site area of approximately 26,340 sq.m.

11. JY Grand Garden Phase I (景業雍景園一期)



JY Grand Garden Phase I (景業雍景園一期) is a residential property project located in Qingyuan, Guangdong. It occupies a total site area of approximately 67,812 sq.m. together with Phase II. Total GFA of this project phase was approximately 261,289 sq.m. It is expected to consist of 10 blocks of residential buildings with 30 to 33 stories. There will also be a kindergarten in the project phase.

The construction of this project commenced in July 2018 and was completed in December 2020. We commenced pre-sale of this project in January 2019.

Tengchong

JY Gaoligong Town (景業高黎貢小鎮)

JY Gaoligong Town (景業高黎貢小鎮) is a property project located in Tengchong, Baoshan, Yunnan. According to Cushman & Wakefield, Yunnan is another place favored by customers from Northern China after Hainan because of the mild climate, good air quality and natural environment. It is planned that the project will consist of three phases. Phase I and Phase II were under development while phases III was held for future development. The project is developed by Tengchong Jingye. The project occupies a total site area of approximately 252,047 sq.m.

12. JY Gaoligong Town Phase I (景業高黎貢小鎮一期)



JY Gaoligong Town Phase I (景業高黎貢小鎮一期) is a residential property project located in Tengchong, Yunnan. It has an aggregate GFA of approximately 127,784 sq.m. It is expected to consist of 285 units of low-rise houses, ten blocks of residential buildings with 11 stories and seven blocks of residential buildings with seven stories and two commercial buildings.

The construction of this project commenced in September 2018 and was completed in December 2019. We commenced pre-sale of this project in November 2018.

Zhuzhou

JY Mountain Lake Gulf (景業山湖灣)

JY Mountain Lake Gulf (景業山湖灣) is a residential and commercial property project located in Hetang District, Zhuzhou, Hunan. It comprises three plots of land with a total site area of approximately 209,190 sq.m. We acquired three plots of land through participating in the listing-for-sale organized by the local government authority. The three plots of land had a site area of 101,175 sq.m., 85,260 sq.m. and 22,754 sq.m. The project is to be developed by Zhuzhou Jingye, which is wholly-owned by our Group.

13. JY Mountain Lake Gulf Phase I (景業山湖灣一期)

JY Mountain Lake Gulf Phase I (景業山湖灣一期) is a residential property project located in Hetang District, Zhuzhou, Hunan. It occupies a site area of approximately 101,175 sq.m. together with Phase II and has a total GFA of approximately 131,556 sq.m. The project offers four blocks of residential buildings with 26 stories, one block of residential building with 31 stories, three blocks of residential buildings with 32 stories and certain commercial premises.

The construction of this project commenced in February 2019 and was completed in October 2020. We commenced the pre-sale of this project in March 2019.

Zhaoqing

Zhaoqing International Technology and Innovation Center (肇慶國際科創中心)

Zhaoqing International Technology and Innovation Center (肇慶國際科創中心) is a mixed commercial and residential property project located in Zhaoqing, Guangdong. It occupies a total site area of approximately 74,201 sq.m. and a planned aggregate GFA of approximately 228,185 sq.m. It is planned to consist of a technology and innovation center and accompanying residential properties. The project is developed by Zhaoqing Jingyue, a company in which we held 90% equity interest through Guangzhou Jingyue as of June 30, 2020.

This project is divided into Zone A and Zone B and its development is to be conducted in two phases.

14. Zhaoqing International Technology and Innovation Center (Zone B)

Zhaoqing International Technology and Innovation Center (Zone B) was developed into residential properties, including residential area for future staff of the technology and innovation center. It occupies a site area of approximately 44,816 sq.m. and has an aggregate GFA of approximately 149,632 sq.m.

Construction for this project phase commenced in November 2019 and was completed in October 2020. We commenced pre-sale of this project phase in December 2019.

JY Well-being Valley (景業養生谷)

The project is developed by Hainan Xuanyu, a wholly-owned subsidiary of Guangzhou Pusheng which is in turn held as to 80% by to our Group and as to 20% by Guangzhou Tianjian Real Estate Development Co., Ltd.* (廣州天建房地產開發有限公司).

JY Well-being Valley is planned to be a residential project featuring leisure, vacation and health preservation concepts.

15. JY Well-being Valley Phase I (景業養生谷一期)

JY Well-being Valley Phase I (景業養生谷一期) is a residential property project located in Lingao County, Hainan. It occupies a total site area of approximately 28,779 sq.m. and an aggregate GFA of approximately 35,296 sq.m. It consists of five blocks of residential buildings with six stories and one block of residential building with four stories.

The construction was resumed in December 2019 and completed in December 2020 after all relevant permits being obtained. We commenced pre-sale of this project in July 2020.

Properties Under Development

Qingyuan

16. JY Grand Garden Phase II (景業雍景園二期)

JY Grand Garden Phase II (景業雍景園二期) is a residential property project located in Qingyuan, Guangdong. It occupies a total site area of approximately 67,812 sq.m. together with Phase I. The GFA of this project phase is approximately 176,076 sq.m. It consists of eight blocks of residential buildings with 30 to 33 stories.

The construction for this project commenced in September 2019 and is estimated to complete in June 2021. We plan to commence pre-sale of this project in August 2021.

17. JY Canglong Bay Project (景業藏龍灣項目)

JY Canglong Bay Project (景業藏龍灣項目) is planned to be a residential property project located in Qingyuan, Guangdong. It occupies a total site area of approximately 75,287 sq.m. and was a planned aggregate GFA of approximately 225,862 sq.m.

The project is developed by Yingde Sangyuan.

It is estimated that the construction for this project was commenced in October 2020 and will be complete in December 2022. We plan to commence pre-sale of this project in January 2022.

Guangzhou

Zhuzhou

18. JY Mountain Lake Gulf Phase IV (景業山湖灣四期)

JY Mountain Lake Gulf Phase IV (景業山湖灣四期) is a commercial property project located in Hetang District, Zhuzhou, Hunan. It occupies a site area of approximately 22,754 sq.m. and has a planned aggregate GFA of approximately 91,016 sq.m.

It is estimated that the construction for this project was commenced in October 2020 and will be complete in December 2022. We plan to commence pre-sale of this project in May 2021.

Zhaoqing

19. Zhaoqing International Technology and Innovation Center (Zone A)

Zhaoqing International Technology and Innovation Center (Zone A) is planned to be developed into business and commercial properties comprising technology and innovation center shop premises and commercial apartments. It occupies a site area of approximately 29,385 sq.m. and has a planned aggregate GFA of approximately 111,662 sq.m.

It is estimated that the construction for this project phase will commence in July 2020 and will be complete in December 2021. We plan to commence pre-sale of this project phase in May 2021.

20. JY Jiangshan Shili (景業江山十裏)

JY Jiangshan Shili (景業江山十裏) is a residential property project located in Qushi Town, Tengchong County, Baoshan City, Yunnan Province. It occupies a site area of approximately 243,227 sq.m. and has a planned aggregate GFA of approximately 729,831 sq.m.

It is estimated that the construction for this project commenced in October 2020 and complete in June 2022. We plan to commence pre-sale of this project in May 2021.

21. JY Yunshan Xigu (景業雲山溪谷)

JY Yunshan Xigu (景業雲山溪谷) is a residential property project located in Qushi Town, Tengchong County, Baoshan City, Yunnan Province. It occupies a site area of approximately 132,971 sq.m. and has a planned aggregate GFA of approximately 276,292 sq.m.

It is estimated that the construction for this project commenced in April 2021 and complete in April 2024. We plan to commence pre-sale of this project in March 2022.

JY Maofengshan Project (景業帽峰山項目)

We acquired 60% interest in the project through acquiring Guangzhou Xinfang. Guangzhou Xinfang is wholly-owned by Guangzhou Chungyu, which is held as to 60% by us and 40% by two shareholders. The two shareholders are passive investors. The project will be developed by Guangzhou Xinfang, and 60% of the interest of this project is attributable to our Group. It is planned to be a commercial project and has a total site area of approximately 170,216 sq.m. The collective economic organization still owns the land use right of the project.

Phase I will be situated on Maofengshan Land A01. It has a site area of 37,216 sq.m. and a planned GFA of 26,957 sq.m. It is planned to be comprised of 26 blocks of commercial buildings with three stories. Construction for this project has commenced in December 2019 and is expected to complete in August 2021.

Phase II will be situated on Maofengshan Land A03. It has a site area of 29,618 sq.m. and a planned GFA of approximately 17,551 sq.m. It is estimated that the construction for this project phase was commenced in January 2020 and will be completed in June 2023.

Tengchong

22. JY Gaoligong Town Phase II (景業高黎貢小鎮二期)

JY Gaoligong Town Phase II (景業高黎貢小鎮二期) is a residential property project located in Tengchong, Yunnan. It occupies a site area of 252,047 sq.m. together with JY Gaoligong Town Phase I and Phase III. It has a planned aggregate GFA of approximately 138,611 sq.m. and is planned to comprise 203 units of low-rise houses, ten blocks of residential buildings with 16 stories and two blocks of residential buildings with 11 stories.

The construction for part of this project commenced in April 2019 and construction is expected to be completed in December 2023. We commenced pre-sale of this project in December 2019.

Properties held for future development

Guangzhou

23. JY Guangzhou Asian Games City Area Project (景業廣州亞運城板塊項目)

JY Guangzhou Asian Games City Area Project (景業廣州亞運城板塊項目) is planned to be a commercial property project located in Panyu District, Guangzhou, Guangdong. It occupies a total site area of approximately 16,747 sq.m. and a planned aggregate GFA of approximately 31,650 sq.m. It is planned to be developed into commercial properties.

The project will be developed by Guangzhou Jianghe.

The project is planned to be developed under “Urban Renewal Policy”. For details of procedures to be taken under the “Urban Renewal Policy”, please see “Our Property Development Business Process — Land Selection and Acquisition Process — Redevelopment under Urban Renewal Policy”.

It is estimated that the construction for this project will commence in June 2022 and complete in June 2024. We plan to commence pre-sale of this project in March 2023.

24. JY Grandmark Building (景業名邦大廈)

JY Grandmark Building (景業名邦大廈) is planned to be a commercial property project located in Panyu District, Guangzhou, Guangdong. It occupies a total site area of approximately 8,194 sq.m. and has a planned GFA of approximately 19,610 sq.m.

The project is developed by Guangzhou Guangze.

We plan to redevelop the entire site under the “redevelopment by land owner mode” of the “Urban Renewal Policy” for commercial purposes as office building. For details of procedures to be taken under the “Urban Renewal Policy”, please see “Our Property Development Business Process — Land Selection and Acquisition Process — Redevelopment under Urban Renewal Policy”. It is estimated that the construction for this project will commence in June 2022 and is expected to be complete in June 2024. We plan to commence pre-sale of this project in May 2023.

Lingao

25. JY Well-being Valley Phase II (景業養生谷二期)

JY Well-being Valley Phase II (景業養生谷二期) is a residential property project located in Lingao County, Hainan. It occupies a total site area of approximately 59,717 sq.m. and a planned aggregate GFA of approximately 101,230 sq.m. It is expected to comprise 13 blocks of residential buildings with six stories and two blocks of residential buildings with five stories.

It is estimated that the construction of this project will commence in May 2021 and is expected to be completed in June 2022. We plan to commence pre-sale of this project in October 2021.

26. JY Well-being Valley Phase III (景業養生谷三期)

JY Well-being Valley Phase III (景業養生谷三期) is a residential property project located in Lingao County, Hainan. It occupies a total site area of approximately 51,513 sq.m. and has a planned aggregate GFA of approximately 63,144 sq.m. It is planned to consist of 12 blocks of residential buildings with six stories and one block of residential building with five stories.

It is estimated that the construction for this project will commence in May 2022 and complete in June 2023. We plan to commence pre-sale of this project in October 2022.

Qingyuan

27. JY Grand Garden Phase III (景業雍景園三期)

JY Grand Garden Phase III (景業雍景園三期) is planned to be a residential property project located in Qingyuan, Guangdong. It occupies a total site area of approximately 26,340 sq.m. and a planned aggregate GFA of approximately 118,531 sq.m.

The relevant land use rights certificate was issued in December 2013. The site area of the plot of land owned by Yingde Shanhuju and occupied by this project is 26,340 sq.m.

It is estimated that the construction for this project will commence in March 2021 and complete in September 2022. We plan to commence pre-sale of this project in October 2021.

28. JY Yonghua Shijia Project (景業雍華世家項目)

JY Yonghua Shijia Project (景業雍華世家項目) is planned to be a residential property project located in Qingyuan, Guangdong. It occupies a total site area of approximately 60,877 sq.m. and has a planned aggregate GFA of approximately 182,630 sq.m.

The project is developed by Yingde Jinkun.

It is estimated that the construction for this project will commence in October 2021 and complete in December 2023. We plan to commence pre-sale of this project in May 2022.

29. JY Qingyuan City Jinxiong Project (景業清遠市金雄項目)

JY Qingyuan City Jinxiong Project (景業清遠市金雄項目) is planned to be a residential property project located in Qingyuan, Guangdong. It occupies a total site area of approximately 160,314 sq.m. and has a planned aggregate GFA of approximately 400,784 sq.m.

The project is developed by Yingde Jinxiong.

Pursuant to the land use rights certificates held by Yingde Jinxiong, the total area of the relevant plots of land was 165,495 sq.m.

We plan to redevelop the land under “Urban Renewal Policy”. Details of the procedures are set out in “Our Property Development Business Process — Land Selection and Acquisition Process — Redevelopment under Urban Renewal Policy — Qingyuan – JY Qingyuan City Jinxiong Project”.

It is estimated that the construction for this project will commence in August 2021 and complete in May 2023. We plan to commence pre-sale of this project in May 2022.

Tengchong

30. JY Gaoligong Town Phase III (景業高黎貢小鎮三期)

JY Gaoligong Town Phase III (景業高黎貢小鎮三期) is a residential property project located in Tengchong, Yunnan. Together with phase I and phase II, it occupies a site area of 252,047 sq.m. It has a planned aggregate GFA of approximately 68,893 sq.m. It is planned to comprise four blocks of residential buildings with 16 stories and four blocks of residential buildings with 11 stories.

It is estimated that the construction for this project will commence in October 2022 and complete in June 2024. We plan to commence pre-sale of this project in March 2023.

Zhuzhou

31. JY Mountain Lake Gulf Phase II (景業山湖灣二期)

JY Mountain Lake Gulf Phase II (景業山湖灣二期) is a residential property project located in Hetang District, Zhuzhou, Hunan. It occupies a site area of approximately 101,175 sq.m. together with Phase I and has a planned aggregate GFA of approximately 236,787 sq.m. It is planned to consist of one block of residential building with 26 stories, one block of residential building with 29 stories, ten blocks of residential building with 32 stories and certain commercial premises.

It is estimated that the construction for this project will commence in September 2022 and complete in December 2024. We plan to commence pre-sale of this project in May 2023.

32. JY Mountain Lake Gulf Phase III (景業山湖灣三期)

JY Mountain Lake Gulf Phase III (景業山湖灣三期) is a residential property project located in Hetang District, Zhuzhou, Hunan. It occupies a site area of approximately 85,260 sq.m. and has a planned aggregate GFA of approximately 213,147 sq.m.

It is estimated that the construction for this project will commence in January 2021 and complete in June 2023. We plan to commence pre-sale of this project in January 2022.

JY Maofengshan Project (景業帽峰山項目)

Phase III will be situated on Maofengshan Land A02. It has a site area of 57,981 sq.m. and a planned GFA of approximately 69,577 sq.m. It is estimated that the construction for phase III will commence in October 2022 and complete in December 2023.

Phase IV will be situated on Maofengshan Land A04. It has a site area of 45,401 sq.m. It is estimated that the construction for Phase IV will commence in May 2023 and complete in December 2024.

Commercial properties held for sale

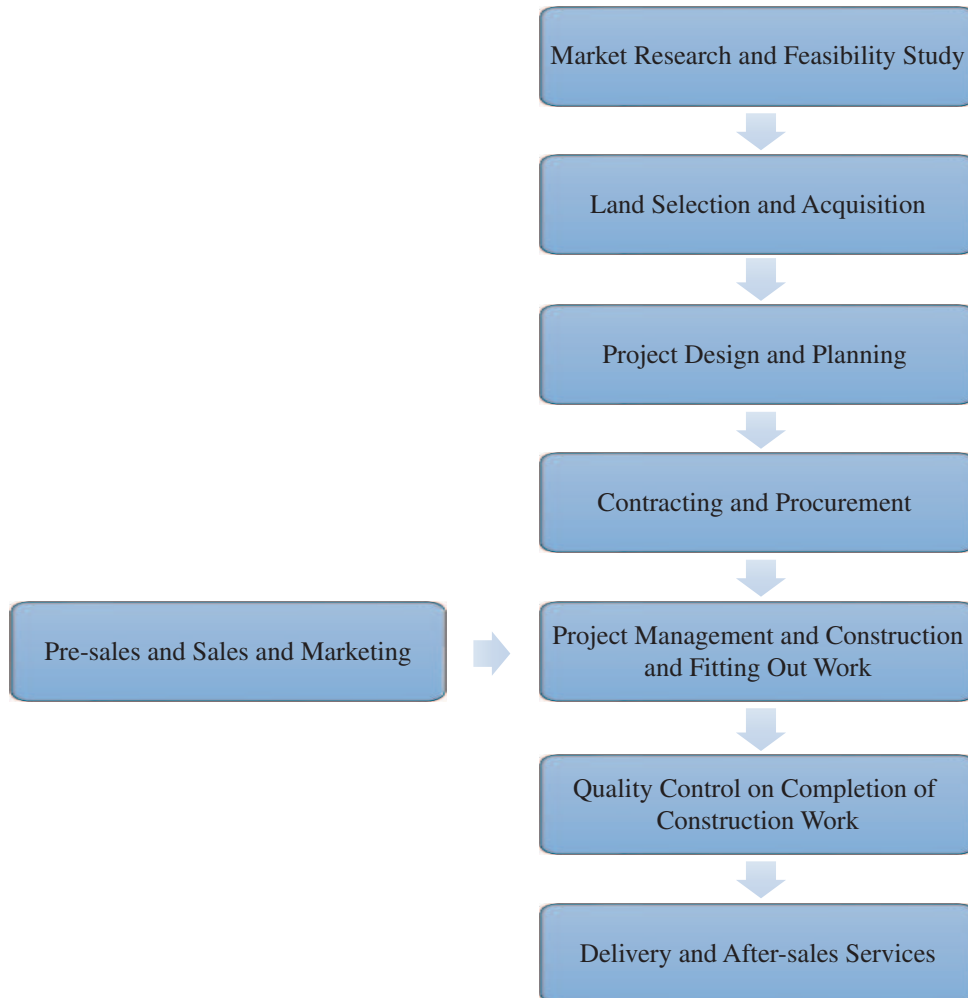
We own certain commercial properties located in Zhongshan Yueying Xincheng (中山悦盈新城) in Zhongshan, Guangdong through our subsidiary Zhongshan Yueheng. As of June 30, 2020, the aggregate GFA of the unsold commercial properties held by Zhongshan Yueheng was 56,933 sq.m., among which 127 leases were made by Zhongshan Yueheng as landlord with an aggregate GFA of 31,277 sq.m. All the properties held by Zhongshan Yueheng are held-for-sale, and we may dispose of the properties together with existing leases.

Our Hotels Properties

Other than our property development and sales business, we also engage in hotel operations and commercial properties investment. For further details, see “Business – Our Hotel Operations” and “Business – Our Commercial Properties Investment” in this offering memorandum.

OUR PROPERTY DEVELOPMENT BUSINESS PROCESS

The following flowchart depicts the business process for our property development business:



We have developed and maintained a systematic approach in the investment, planning, design, and development of our property projects. The following paragraphs show the different stages of our property development process:

Land Selection and Acquisition Process

We undertake a critical land selection process and we typically select sites for the development of our projects in satellite cities close to first-tier-cities as well as second-tier or third-tier cities in China which we believe to have strong prospects for growth. We have adopted an investment and project initiation system which sets out the main selection criteria of our Group in assessing potential land acquisition targets. The selection criteria includes both financial and risk considerations. On the financial aspect, we consider the estimated net profit, payback period, financing and funding of the potential project, etc., and assess whether the potential project can contribute positively to the financial performance of our Group. We also take into account the feasibility of the potential project and its compatibility with our Group's business development strategies, and the conditions to be fulfilled in acquiring the potential land site, and assess the operational, policy, legal and taxation risks involved in acquiring the potential land acquisition target.

Based on the overall business development strategies determined by our senior management, our investment center and project companies continuously conduct market research on selected cities which we have operations or plan to expand into and collect relevant information such as the availability of suitable land lot and the land acquisition costs, potential customers and their demand, pricing trends and government policies, to identify potential opportunities for our projects. Our investment center will then coordinate the site selection process with other functional centers and prepare an in-depth feasibility study of the potential site covering areas such as the potential cost and return, investment budget and risk control measures. For instance, our design center evaluates the potential type and design of property products on the site; our financial center reviews the budget and arrangement of funding; our sales center estimates and provides suggestions as to the market and product positioning, selling price and sales period of properties; our costing center provides cost assessment on projects under development which our Group would like to acquire; and our legal department provides legal opinion on the legal risks involved in pursuing the potential project. Our investment center submits the feasibility study to our senior management committee which comprises our Directors and vice presidents of the design, financial, costing, construction and sales and marketing center for final review and approval.

The key factors we consider in site selection include, but are not limited to:

- general economic conditions such as economic growth and vitality of the region, population density, market demand and supply, urbanization growth rate, disposable income and purchasing power of local residents;
- policies, infrastructure, urban planning and development strategies of central and local governments;
- location of the site, its proximity to the city center, its available natural resources, transportation network and access to public infrastructure and ancillary facilities;
- growth trend and competitive landscape of the local property market;
- suitability of the site for our product positioning and development prospects; and
- the estimated development costs and investment returns.

We primarily acquired our land reserves through (1) acquiring equity interest in companies that hold land parcels that fit our selection criteria; (2) participating in land tenders, auctions and listings-for-sale activities organized by government authorities; and (3) acquiring old factories for redevelopment under the "Urban Renewal Policy" (城市更新改造政策).

Through acquiring equity interest

Where we identify suitable project sites, we may acquire equity interest in the company holding the land use right certificate or property ownership certificate of the land instead of acquiring the land parcel or the property. We may enter into share transfer agreement or capital injection agreement with the then shareholders of the relevant companies to acquire equity interest. We then pay consideration for the equity interest and arrange for filings to government authorities as appropriate to reflect the change in shareholding.

Tender, auctions and listings-for-sale

Where we participate in land auctions or listings-for-sale activities, upon winning, we sign a letter of transaction confirmation with the relevant government authority, and subsequently enter into a land grant contract in accordance with the time and venue specified in the letter of transaction confirmation. We then pay the land premium according to the terms of the land grant contract and apply for the land use rights certificate.

Redevelopment under Urban Renewal Policy

Land for three of our projects held for future development, namely, JY Grandmark Building, JY Guangzhou Asian Games City Area Project and JY Qingyuan City Jinxiong Project were old factory sites acquired by us and intended for redevelopment under the Urban Renewal Policy. JY Grandmark Building and JY Guangzhou Asian Games City Area Project are located in Guangzhou while JY Qingyuan City Jinxiong Project is located in Qingyuan. Implementation details of Urban Renewal Policy are different for different cities and the process applicable to our project sites are set out below.

Obtaining development rights of collectively-owned construction land

For our JY Maofengshan Project, we plan to obtain land use rights of collectively-owned construction land for our project development through entering into collectively-owned land use rights transfer agreements with collective economic organizations and completing the relevant approval process. As advised by our PRC legal adviser, the approval process for land use rights transfer agreement comprises seven steps: (1) the collective economic organization should file its intention to grant use of collectively owned construction land and submit the transaction plan to the Asset Management Platform; (2) the transaction plan should be preliminarily approved by governmental bodies of the relevant town or street; (3) the transaction plan should be approved by at least two-third (2/3) of the members of a meeting of collective economic organization or a meeting of the village representatives and the approval should be officially published; (4) the project should be filed to the governmental body of the relevant town or street; (5) the Asset Management Platform should announce the proposed transaction for bidding; (6) the grantee of the collectively owned construction land should be determined and the transaction result should be announced; and (7) parties to the transaction should sign the land use rights transfer agreement and file the agreement to governmental bodies of town or street for record. For further details of the project, see “Our Property Projects – JY Maofengshan Project (景業帽峰山項目)” in this section. For details of the applicable PRC laws and regulations, see “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Transfer and Sale – Rural Collective Construction Land” section.

Project Design and Planning

Our design center is responsible for the formulation of master design work plans for our property projects. It participates in site visits to potential project sites with the investment center for our projects and provides design suggestions in the feasibility study. Based on the market information of our project sites, it devises the design plan confirming the characteristics, positioning, type, appearance and style of our properties and controls the design costs. It also develops new projects based on the market research conducted by sales and marketing center.

We outsource our project design work to external service providers and engage them for architectural, interior and scenery design. We generally invite quotations from five to seven design firms and select the suitable firm based on their proposed design, pricing, quality and reliability of their proposed services based on their previous design experiences. We work closely with the design firms to review, adjust, approve and optimize their design plans. We also monitor the design firm’s progress and quality of work continuously to ensure that they meet our design requirements. Our finalized design plans are submitted by our development department to the relevant government authorities for approval, after which they become the blueprint for the construction of our properties.

Contracting and Procurement

We outsource all of the construction work of our property projects to qualified third-party construction contractors. The construction work include, among other things, foundation laying, main structure construction, water and electricity installation, and fitting out work. We generally select our construction contractors through tender by invitation. Upon receiving the design plans from the design center, our costs control center will prepare the lists of required materials of the projects and suggested brands for required material and confirm the construction contractors that will participate in our open tender. We then provide the design plans and the lists prepared by the costs control center to at least three potential construction contractors and they are required to submit construction proposals with fee quotes to us. In selecting the winning bid, we generally consider the contractors' professional qualifications, technical capabilities, quality of construction work, industry reputation, track record, price quote and proposed construction plan. We prefer to select contractors who had worked with our Group and provided us with satisfactory services in the past to ensure the quality of construction work.

We enter into agreements with our construction contractors on project basis instead of a long-term basis. The major terms of such agreements include the scope of work, timetable for construction, pricing and payment terms, requirements and warranties with respect to quality standards and termination. Under such agreements, our construction contractors are obliged to undertake the entire construction work in compliance with our design specifications, time schedules and the relevant laws and regulations. We generally make payments to our construction contractors either by monthly progress payment based on the actual construction work done per month or in stages upon completion of each construction milestone in accordance with the construction contracts. Upon completion of the project, we generally settle approximately 95% to 97% of the total contract price while holding back the remaining 3% to 5% as retention money for quality warranty purpose pursuant to the construction contracts. The construction contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur caused by their failure to meet contractually specified quality standards. The unused portion of the retention money will be returned to our construction contractors after the warranty period has expired. We believe that the amount of retention money we withhold under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover the construction warranties we provide to our customers under the sales contracts.

Our construction contractors are generally responsible for procuring building construction materials such as steel and cement for our projects based on our specifications. The costs of the procured construction materials are accounted for under the relevant contracts' fees. Our procurement center is also responsible for the procurement of certain materials such as roof tiles, floor and wall tiles, light decorations, faucet, sanitary wares and manhole cover. Our raw materials are mainly purchased from suppliers in the PRC. We usually conduct research and identify potential suppliers, and seek tenders or quotations from at least three or more potential suppliers. In selecting our suppliers, we consider their technical qualifications and accreditations, product and service quality, pricing, delivery cycle, track record and years of working relationship with us. We do not maintain any inventory of construction materials that we procure on our own, but we order such materials on an as-needed basis.

Project Management and Construction and Fitting Out Work

According to the relevant PRC laws and regulations, we are required to obtain the development rights of the relevant land and the necessary permits and certificates before we can commence our construction work on the relevant land, including the land use rights certificate, the construction land planning permit, the construction work planning permit and the construction work commencement permit.

Our engineering center is responsible for managing and monitoring the progress, quality and safety measures of the construction and fitting out work carried out by our contractors and handle major technical problems occurred during the construction. It formulates the management system and standards of construction and fitting out work and the technical requirements that should be fulfilled by our construction contractors. It also carries out inspection on the construction and fitting out work and assist in the inspection for acceptance and the filing for construction completion.

Civil Defense Areas

According to relevant PRC laws and regulations, new buildings constructed in cities for civil use should contain areas that can be used for civil defense purposes in times of war. We constructed civil defense areas or paid the fees in lieu of construction of civil defense areas for our property projects as required by the applicable PRC laws and regulations. Up to June 30, 2020, we had civil defense areas in (i) six completed project phases, with an aggregate GFA of approximately 26,677 sq.m., (ii) one project under development, with an aggregate GFA of 14,698 sq.m. and (iii) one project phase held for future development, with the GFA of 14,122.0 sq.m. The construction cost of civil defense areas is included in our inventories and charged to cost of sales upon recognition of revenue. The property management companies are in charge of the maintenance of our civil defense areas of completed projects.

Pre-sales and Sales and Marketing

Pre-sales

We generally commence the pre-sales of our properties prior to completion of construction which is in line with the market practice in the PRC. We launch pre-sale upon the receipt of pre-sale permits in accordance with the PRC laws and regulations. Prior to obtaining the pre-sale permits, we must fulfill, among others, the following conditions: (i) the land premium has been paid in full and we have obtained the land use rights certificate; (ii) we have obtained the construction work planning permit and the construction work commencement permit; (iii) 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, the expected completion and delivery dates have been ascertained; (iv) the progress of the construction should meet the local government's requirements for pre-sale; and (v) the pre-sale has been registered.

In accordance with the requirements of the applicable PRC laws and regulations, we enter into standard pre-sale contracts prescribed by the relevant local authorities with our customers and apply for registration of such pre-sales with the relevant local authorities within 30 days after execution of the pre-sale contracts.

We have adopted internal control measures to ensure that the proceeds derived from our pre-sales will be used for the construction of the relevant projects in compliance with the relevant PRC laws and regulations. Before applying for the pre-sale permits, we will sign an agreement on the supervision of pre-sale proceeds with a supervising bank and the property management department of the local government, and set up a designated bank account where the pre-sale proceeds are paid into. When we would like to apply the pre-sales proceeds for the development and construction of the relevant projects, we shall make an application to the property management department of the local government together with the relevant information such as proof of the completion of certain part of the project. Upon receipt of the approval from the property management department of the local government, we shall apply to the supervising bank for the release of the pre-sale proceeds.

Sales and Marketing

Our property portfolio mainly locates in Guangdong, Hainan, Yunnan and Hunan provinces and our target customers include purchasers looking for their first home, a home upgrade, second home and purchasers who would like to invest or live in vacation homes. Most of our customers are individuals. Our sales and marketing center consists of 108 employees as of June 30, 2020 and is responsible for formulating sales and marketing strategies and implementation plans, setting marketing goals and administer the overall sales process and promotional and marketing events. It plays a crucial role in our property development process from market positioning to pre-sales and sales of properties. In the preliminary stage of land acquisition, the sales and marketing center conducts research on local markets of the potential sites and assists the investment center in preparing the feasibility study by providing suggestions as to the market and product positioning, selling price and sales period of properties. During pre-sales and sales of our properties, it launches various marketing campaigns to attract our target customers.

Sales and Marketing Channels

Our sales and marketing channels primarily include advertising through billboards, the internet and mobile media. We generally promote our property products through our internal sales and marketing personnel. We hold promotional and sales events such as press conferences at our property development project premises to introduce our property projects to our potential and existing customers, working partners and the media. We set up on-site reception centers to display model units and detailed information of our projects, and invite potential customers to visit exhibit units. And we identify target companies with potential customers and organize promotional activities within the companies, such as holding promotional talks and placing advertising materials in the companies, organizing visits to our project sites, and offering corporate discount to their employees.

We also accept referral by existing residents of our developed properties. We organize various activities, such as house-warming banquets for home buyers and resident gatherings in mid-autumn festival, aiming to create a friendly community for our residents. We believe that these activities also serve as showcasing events for our properties as they encourage our residents to bring their friends and family to visit our properties, thereby promoting our sales by referral from existing residents and lowering our marketing expenses.

In addition, we engage external property brokerage firms to assist us in our sales campaigns. We enter into agreements with such firms and the major terms of the agreements include the scope and duration of services, rights and responsibilities of the parties, fees and payment method. Some agreements also specify that if these firms fail to meet the agreed sales target or make any sales within the stipulated period, the agreements will be terminated. We negotiate with external property brokerage firms as to commissions on a case-by-case basis and we typically pay them a fixed percentage of 1.2% to 5% of the sales proceeds as fees. We select our external property brokerage firms by considering factors such as their reputation. One of the external property brokerage firms is a deemed connected person of our Company. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate costs and expenses incurred by us with respect to our external property brokerage firms amounted to RMB25.7 million, RMB35.9 million RMB76.2 million (US\$10.8 million) and RMB20.6 million (US\$2.9 million), respectively.

Pricing policy

Our sales and marketing center is responsible for setting the price for our property development projects. In determining the sales price, we generally take into account various factors including but not limited to the location, size, floor, view, facing direction and positioning of properties, their accessibility to public infrastructure and ancillary facilities, target customers, market conditions, prices of comparable properties in the market, government guided-prices, our development costs and investment return considerations.

As part of our marketing strategies, we offer seasonal discounts to our customers during various occasions such as the Chinese New Year, the National Day of the PRC, the Dragon Boat Festival and the Labor Day. We offer corporate discounts to employees of certain corporations in which we have organized promotional activities and group discounts to customers who purchase multiple properties on a one-off basis. We also provide discounts to our own employees who have worked with us for at least one year. Occasionally, discounts are offered to customers who are positively influential to the sales of our properties. We believe that the discounts we offer are in line with the prevailing market practice and are effective in attracting new customers and enhancing our sales.

Payment terms

Our customers may choose to pay the purchase price of our properties by one lump sum payment, by installments or by mortgage financing. We generally require our customers to pay a deposit of RMB20,000 to RMB50,000 upon signing of the preliminary sale and purchase agreement and such deposit is non-refundable if the customers default on the purchases. Within seven days of payment of the deposit and upon signing of the formal sale and purchase agreement, our customers are required to pay 30% of the total purchase price (including the amount of deposit). Customers choosing to make a lump sum payment are required to pay the remaining

amount and fully settle the purchase price within one month after signing of the preliminary sale and purchase agreement. Customers who choose to pay by installments without utilizing a mortgage loan are required to make the remaining payments in accordance with the agreed payment schedule within six months after signing of the preliminary sale and purchase agreement. For customers who purchase properties with mortgage loans, after making payment in accordance with the payment ratio required by the local government or banks, the mortgage banks will settle the mortgage amounts in accordance with the agreed payment schedule within twelve months after signing of the formal sale and purchase agreement.

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

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB638.3 million, RMB894.1 million, RMB1,075.9 million (US\$152.3 million) and RMB1,209.0 million (US\$171.1 million), respectively. We had not encountered any material incidents of default by our customers.

Quality control on completion of construction work

As the quality of our properties directly affects the success of our projects and our reputation, we place high emphasis on project supervision to ensure that our property development projects meet our quality standards and comply with the relevant laws and regulations. Our quality control function is conducted by our engineering center which oversees and manages the quality control of construction work of our projects.

Upon completion of the construction work, our engineering center will conduct thorough inspections of the properties to ensure that the quality of work in different aspects has attained the standard required by the relevant laws and regulations of the PRC, and assist in the preparation and arrangement for the requisite completion and acceptance inspections by the relevant government authorities.

In addition to the completion stage of construction work, we adopt stringent quality control policies throughout the whole property development process. For instance, we conduct extensive due diligence and implement quality control in the selection of external design firms for our project design, raw materials suppliers and construction contractors for the construction work of our projects. Our engineering center performs routine inspection on the building construction materials procured by our construction contractors and raw materials provided by our suppliers when the materials enter into our construction sites. We formulate standardized technical and quality control guidelines that set out our requirements as to quality control standards in the construction processes. We also include terms relating to the required standard of quality in the agreements we entered into with our construction contractors.

During the construction process, other than regular inspection on quality conducted by our engineering center, we engage independent third party construction supervision companies to supervise the overall construction of our property projects, and conduct quality and safety control inspection on the building materials and workmanship on site. We engage construction supervision companies that have appropriate qualifications, such as qualification to supervise building construction, electrical engineering and/or public infrastructure works. We take into account factors such as qualifications, industry experience and scale of operations of the candidates in selecting our construction supervision companies. Pursuant to our agreements with the construction supervision companies, their general duties include formulation of a construction supervision plan with implementation guidelines and logbooks, allocation of supervision engineer and relevant staff to station at the work site, preparation of monthly supervision report for our management's inspection, testing of construction material and inspection of completed works in key stages of the construction process. We generally pay the construction supervision companies in stages and retain 5% of the contract sum as retention money for warranty.

Delivery and After-sales Services

We endeavor to deliver completed properties to our customers in a timely manner in accordance with the terms of the sales contract. To ensure timely delivery of our properties, we closely monitor the progress of construction of our properties. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we may be liable to pay certain percentage of the purchase price as penalty pursuant to the terms of the relevant sales contracts. Prior to the delivery of our properties, we are required to complete the relevant completion filings. After our property projects have passed the requisite completion and acceptance inspections, we will notify our customers before the delivery dates stipulated in the sales contract and arrange for delivery procedures to complete the sales process.

We are committed to customer satisfaction and our sales and marketing center is responsible for our after-sales customer services. We provide comprehensive after-sales services such as providing property management services, supervising the repair and ongoing maintenance of our properties and handling customers' complaint.

Warranties

We provide our customers with warranties 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). Further, in accordance with published national standards, we provide quality warranties for the ground foundation and main structure of the properties, waterproofing of property and wall surfaces, kitchen and bathroom floors and basement, heater and air conditioning systems, sewage pipes, sanitary wares and fitting out work. As stipulated in our sales contracts, the warranty periods commence on the day of actual delivery of the properties. They vary depending on the covered items and are generally for a period of two months to three years. In particular, the warranty periods for ground foundation and main structure of the properties refer to the relevant reasonable lifespans stated in the design documents. Our construction contractors are responsible for the warranties with regard to the relevant quality standards.

We generally allow for return of our properties where there are material discrepancies in the GFA of our properties delivered as compared to the GFA stipulated in the formal sale and purchase agreement, material changes made by us to the property layout and design of the properties without the authorization of our customers, and material delays in the delivery of our properties which exceed the dates stipulated in the sales contracts.

OUR HOTEL OPERATIONS

The following table sets out certain key information with respect to our hotels in operation:

Location	Just Stay Hotel (廣州卓思道酒店) No. 190 Guanjing Road, Xingnan Avenue, Nancun town, Panyu District, Guangzhou, China	Just Stay Resort (從化卓思道溫泉度假酒店) No. 288 Yuquan Avenue, Liangkou town, Conghua District, Guangzhou, China
Commencement time	May 2016	July 2017
Approximate total site area (sq.m.).....	2,022	125,546
Approximate GFA (sq.m.).....	10,432	21,844
Number of rooms available (as of June 30, 2020)	100	179
Number of food and beverage facility	1	1
Number of banquet hall.....	1	1
Total number of conference room(s).....	1	2
Occupancy rate for the six months ended June 30, 2020 (%).....	30.8	45.5
Average daily rate for the six months ended June 30, 2020 (RMB).....	386.7	938.5
RevPAR for the six months ended June 30, 2020 (RMB).....	119.1	426.6
Revenue for the six months ended June 30, 2020 (RMB million)	5.5	15.9

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue from our hotel operations amounted to approximately RMB46.1 million, RMB66.6 million, RMB73.8 million (US\$10.5 million) and RMB21.4 million (US\$3.0 million), respectively, representing approximately 5.5%, 5.0%, 3.1% and 2.3%, respectively of our total revenue.

Just Stay Hotel (廣州卓思道酒店)



Hotel rooms

Just Stay Hotel is a five-story hotel with a total of 129 rooms offering six room types to cater to a wide variety of guests with different budgets, including standard rooms, deluxe rooms and suites, and executive suites, which are all furnished and equipped with amenities. The size of the guest room ranges from 25 sq.m. to 110 sq.m. Since March 2017, 29 rooms have been leased to a postpartum care center which is one of our tenants of our commercial properties located next to Just Stay Hotel for a period of three years. Therefore, as at June 30, 2019, the total number of rooms available for the hotel was 100.

The following table sets out certain information in relation to the hotel rooms of Just Stay Hotel as of June 30, 2020:

Types of hotel room	Size (square meters)	Number of rooms
Executive suite (行政套房)	100-110	3
Deluxe suite (豪華套房)	72-75	7
Deluxe twin room (豪華雙人房).....	40-64	54
Deluxe single room (豪華單人房).....	40-52	19
Standard twin room (標準雙人房).....	25-50	13
Standard single room (標準單人房).....	26.3-47	4
Total		100



Meeting and recreational facilities

Just Stay Hotel is well equipped with one banquet hall of 550 sq.m. and one conference room of 79 sq.m., both of which are equipped with audio visual equipment.



Occupancy rate and other operating data

The table below sets out the occupancy rate and other operating data relating to Just Stay Hotel for the periods indicated below:

	Year ended December 31,			Six months ended
	2017	2018	2019	June 30, 2020
Total available room nights.....	36,733	35,692	25,151	6,025
Occupancy rate (%).....	75.1	74.8	69.9	30.8
Average daily rate (RMB).....	402.3	404.8	434.2	386.7
RevPAR (RMB)	302.2	302.6	303.3	119.1

Note: As Just Stay Hotel only commenced its business in May 2016, the figures for 2016 only cover the period from May 2016 to December 2016 but not the full year.

The table below shows the revenue (room and non-room) for Just Stay Hotel for the periods indicated below:

	Year ended December 31,			Six months ended
	2017	2018	2019	June 30, 2020
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Room revenue.....	11.0	10.6	10.1	2.1
Non-room revenue (restaurant and banquet).....	7.8	9.9	11.9	3.4
Total	18.8	20.5	21.9	5.5

Restaurant and catering operations

We own and operate all our restaurant and food and beverage outlet in Just Stay Hotel, save for a coffee shop in our hotel lobby which was operated by our tenant, an Independent Third Party. For details of that lease, please see “Our Commercial Properties Investment – Occupancy rate and other operating data”. Other than that coffee shop, the hotel has a Chinese restaurant on the first floor, with a total area of approximately 260 sq.m. During the six months ended June 30, 2019, the restaurant and catering facilities recorded 55,337 visits, with average spending of RMB97.5.



For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue generated from our restaurants and food and beverages in Just Stay Hotel amounted to approximately RMB7.4 million, RMB9.0 million, RMB10.3 million (US\$1.5 million) and RMB2.8 million (US\$0.4 million) respectively, representing approximately 16.2%, 13.6%, 14.0% and 13.2% respectively of our total revenue in our hotel operations.

Hotel management arrangements during transition period of acquisition

Guangzhou Shunbang entered into a preliminary sale and purchase agreement with the vendor (“**Vendor**”) to acquire the hotel building comprising the Just Stay Hotel on April 29, 2016. Prior to the acquisition, the hotel was operated by its former operator (“**Former Operator**”). Both the Vendor and the Former Operator were subsidiaries of a deemed connected persons of our Company.

On April 30, 2016, Guangzhou Shunbang, the Former Operator and Guangzhou Just Stay entered into a hotel operation agreement and pursuant to which, (i) the hotel should be operated under the name of the Former Operator during the transition period from May 1, 2016 to December 31, 2016 (“**Transition Period**”), (ii) the hotel should be managed by Guangzhou Just Stay and the revenue generated from operation of the hotel should belong to Guangzhou Just Stay; (iii) the Former Operator should provide coordination, guidance and assistance to Guangzhou Just Stay in respect of the management of the hotel and receive 1% of the monthly revenue of the hotel as service fee (“**Service Fee**”). The Former Operator may withheld its Service Fee and taxes from the revenue it received from operating the hotel and return the remaining amount to Guangzhou Just Stay; and (iv) after the Transition Period, the hotel should be operated independently by Guangzhou Just Stay. Service fee withheld by the Former Operator pursuant to the agreement during the Transition Period was RMB146,263.8.

Just Stay Resort (從化卓思道溫泉度假酒店)



Hotel rooms

Just Stay Resort consists of three floors and a basement, and has a total of 179 rooms offering seven room types to cater to a wide variety of guests with different budgets, including superior rooms, deluxe rooms, hot spring rooms, family suites and low-rise houses, which are all furnished and equipped with amenities. The size of the guest rooms ranges from 28 square meters to 170 square meters.

The following table sets out certain information in relation to the hotel rooms of Just Stay Resort as of June 30, 2020:

Types of hotel room	Size (square meters)	Number of rooms
Heyuan Xiangquan (合院享泉).....	170	8
Heyuan Mingquan (合院鳴泉).....	140	8
Heyuan Shanquan (合院山泉).....	104	23
Family suite (親子套房).....	60	4
Private hot spring room (私密溫泉房).....	54	22
Deluxe room (豪華房).....	54	100
Superior room (高級房).....	28-40	14
Total		179



Hot spring facilities

Just Stay Resort offers five types of hot spring and 32 hot spring pools. Other than hotel occupants, our hot spring facilities are also open to customers who purchase entry ticket of our hot spring. Hot spring pools are cleaned and water temperature is tested every day. Hot spring water is also disinfected daily.

Meeting and recreational facilities

Just Stay Resort is well equipped with one banquet hall of 351 sq.m. and two conference rooms of 126 sq.m. each. The banquet hall and both the conference rooms are equipped with audio visual equipment.



Occupancy rate and other operating data

The table below sets out the Occupancy rate and other operating data relating to Just Stay Resort:

	Year ended December 31,		Six months ended
	2018	2019	June 30, 2020
Total available room nights.....	60,133	61,916	25,285
Occupancy rate (%).....	56.3	54.0	45.5
Average daily rate (RMB).....	797.3	838.7	938.5
RevPAR (RMB)	448.6	452.7	426.6

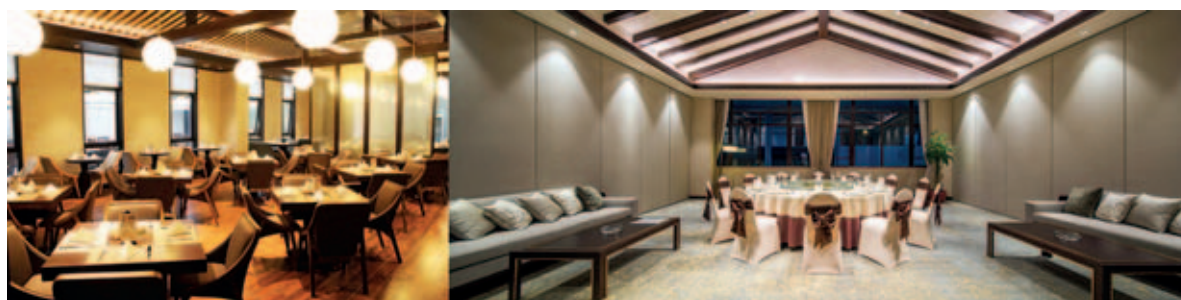
The table below shows the revenue (room and non-room) for Just Stay Resort:

	Year ended December 31,		Six months ended
	2018 ^(Note)	2019	June 30, 2020
	(RMB million)	(RMB million)	(RMB million)
Room revenue.....	26.8	28.9	10.3
Non-room revenue			
• restaurant and banquet.....	10.7	11.9	3.5
• other revenue.....	8.6	11.2	2.1
Total	46.1	51.9	15.9

Note: As Just Stay Resort only commenced its business in July 2017, the figures for 2017 only cover the period from July 2017 to December 2017 but not the full year.

Restaurants and catering operations

We own and operate a restaurant in Just Stay Resort up to June 30, 2020. The restaurant is on the first and second floors with three VIP rooms. During the six months ended June 30, 2020, the restaurant and catering facilities recorded 43,710 visits, with average spending of RMB77.4.



For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our revenue generated from our restaurants and food and beverages in Just Stay Resort amounted to approximately RMB7.2 million, RMB10.7 million RMB11.9 million (US\$1.7 million) and RMB3.5 million (US\$0.5 million), respectively, representing approximately 15.6%, 16.1%, 16.1% and 16.3%, respectively, of our total revenue in our hotel operations.

Pricing

The room rates we charge for our two hotels vary according to different factors, including but not limited to, the type of customers, whether there is public or long holiday, seasonal factors, and whether there are events held near the hotel. Meanwhile, food and beverage prices in our hotels are set based on various factors, including the costs of food ingredients, packaging, transportation and insurance fees.

Customers

Our customers for our hotel operations can be categorized into corporate customers and individual guests. Corporate customers include those customers who hold conference in our hotels and their employees and guests will stay in our hotels during the conference, travel agencies and room reservation centers.

Sales and marketing

For our hotel and restaurant operations, our sales and marketing activities are mainly conducted by our hotel sales and marketing department which is responsible for formulating and implementing sales plan and organizing promotional events for our Group's hotels. Our Group's hotel sales and marketing department consisted of 12 employees as of June 30, 2019.

We mainly promote our hotels through travel agencies, hotel booking websites, our hotel website and mobile media. We enter into contracts with travel agencies for promotion of our hotel, the major terms of which generally contain the pricing of hotel rooms, meeting and recreational facilities and food and beverage facilities, the available services provided by the hotels, policies and reservation procedures for customers, and payment terms and method. We also enter into contracts with operators of hotel booking websites for the provision of technical services including online hotel room reservation services. The major terms of such contracts generally include the pricing of hotel rooms and arrangement in change in pricing, the arrangement, verification and guarantee of room reservation, payment terms and promotion and marketing.

Further, we offer our hotel rooms, meeting and recreational facilities, hot spring facilities and food and beverage facilities at more favorable prices to corporate customers, travel agencies and operators of hotel reservation websites, government authorities, customers for our properties and our employees to attract new customers. We also provide packages for food and beverage facilities or dining and hot spring facilities from time to time to publicize our hotels. To enhance our customers' loyalty, we have operated a customer membership program under which we offer various discounts and benefits to hotel customers participating in our program. We believe that such marketing campaign helps to raise our profile and enhance the possibility of recommendations by the existing members, thereby expanding our customer base.

We value comments from our hotel customers as they can serve as an indicator for our Group to formulate strategies and enhance our quality of services. We will follow up with our hotel customers to resolve any complaints. For our hotel operations, our there was no material customers' complaint which substantiated into claims or litigation against our Group up to June 30, 2020.

For each of the year ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total amount of expenses attributable to marketing activities (excluding staff costs) of our hotel operations accounted for approximately 0.4%, 0.4%, 0.2% and 0.2% of our Group's total operating costs respectively.

Procurement and suppliers

The major suppliers of the hotel operations of our Group comprise suppliers for our food and beverage facilities, daily utilities, laundry services and hot spring water. We generally enter into one-year contracts with suppliers for our food and beverage facilities, daily utilities and laundry services to secure purchase with favorable terms in terms of costs and payment terms, the major terms of which usually include the contract duration, pricing and payment terms, and the rights and obligations of the parties. We generally place orders for food ingredients on a daily basis to ensure freshness. We also enter into a contract with our hot spring water provider for the provision of hot spring water to Just Stay Resort. The major terms of such contract include the method and quantity of water supply, the time of completion of construction of water pipes and commencement of water supply, and the rights and obligations of the parties. We are required to pay by way of bank transfer or check. Up to June 30, 2020, we did not experience any material disruption in our hotel operations due to shortages, disruption or delay of our supplies and we had not experienced any significant difficulties in identifying alternative suppliers for our hotel operations.

To ensure the quality of our suppliers, we conduct background assessment on potential suppliers and select suppliers which are up to standard and have the necessary license. We examine the materials supplied to us and also carry out evaluation and assessment of our existing suppliers from time to time.

Quality control

We are committed to providing a pleasant and comfortable stay for our hotel guests. We have detailed internal rules and standards on various aspects of our hotel operations including operation and hygiene for our restaurants, hotel rooms and hot spring facilities, and we provide training and supervise our personnel to ensure quality services are offered to our customers. For our food and beverages, we adopt various measures to ensure food safety, for example, we store food in different containers to prevent any food contamination or spoilage. When we receive food and beverages from our suppliers, we will check the production and expiry dates of the goods, and maintain a list of food and beverage stocks for each restaurant to facilitate inventory control. We perform stock counts and sample checks on our inventory records from time to time. We have a food and safety supervisor who conducts regular inspections on food quality for both of our hotels. Each of our hotels has their own quality control teams comprise of eight staff which are responsible for overseeing the overall quality of our

services and conducting quality assessments regularly. Our food safety officer has to attend food safety management training and obtain relevant qualification from Guangdong Food and Drug Supervision and Management Bureau. The officer is responsible for setting up a food safety monitoring system and monitor food safety in our food and beverage operations.

PROPERTY MANAGEMENT

We provide property management services to purchasers of the residential properties we developed, including JY Lychee Town, JY Hot Spring Villas and JY Clearwater Bay No. 3. Such services mainly include security, cleaning, gardening, car parking management, repairs and maintenance services.

Our property management center is responsible for developing the system, standards and work plans for property management of our properties, formulating the relevant service agreements and management fees, implementing the work plans such as theme-based community cultural events, providing training to our employees carrying out management services and supervising the quality of services provided, and collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality. Our property management operations in JY Clearwater Bay No. 3 are tailored to fit the needs of our buyers, who mainly purchased the properties as their vacation homes. We have established the “Celebrity Club (名仕會)” which provides butler and concierge services such as room cleaning, transportation and golf courses reservation and sight-seeing tour booking to satisfy the various needs of our customers during their stay in their vacation homes, while we have property care-taking services while they are away.

We had entered into a property management services subcontracting agreement with a connected person, Agile Property Management Services Co., Ltd. (Conghua Branch) (雅居樂物業管理服務有限公司從化分公司) (“**Agile Property Management Services**”), in which Agile Property Management Services subcontracted to us the provision of certain part of property management services to our properties at JY Lychee Town Phase I. The services mainly include security, cleaning, gardening, and repairs and maintenance services. The reason for the arrangement is that we did not possess the requisite qualification for the provision of property management services directly to our properties at the time right after JY Lychee Town Phase I had been developed. Agile Property Management Services therefore subcontracted the provision of certain property management services of JY Lychee Town Phase I to us. As the relevant qualification requirement had been abolished by the PRC government in March 2018, we have terminated this subcontracting agreement with Agile Property Management Services and we have provided property management services to our properties at JY Lychee Town Phase I directly since September 2018.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our property management services amounted to approximately RMB3.1 million, RMB6.5 million, RMB14.4 million (US\$2.0 million) and RMB7.7 million (US\$1.1 million) respectively, representing approximately 0.4%, 0.5%, 0.6% and 0.8% of our total revenue in the respective periods.

OUR COMMERCIAL PROPERTIES INVESTMENT

Our commercial properties held for investment

Other than holding properties for development and sales, we also own commercial properties for leasing or sales purposes. As of June 30, 2020, the self-owned commercial properties made available for lease include (i) portions of Just Stay Hotel held for investment which comprise three premises; and (ii) seven commercial premises situated at the neighborhood of Just Stay Hotel at Guanjing Road, Xingnan Avenue, Nancun Town, Panyu District, Guangzhou, China.

We also sub-leased part of the commercial property we rented for use as headquarters to others. The three premises within the property we rented as our headquarters that were made available for sub-lease as of June 30, 2019 have an aggregate leased GFA of approximately 2,183 sq.m.

We derive rental income by leasing out these commercial properties and we commenced our property leasing business in January 2015. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from lease and sub-lease of commercial properties amounted to approximately RMB5.6 million, RMB10.0 million RMB24.2 million (US\$3.4 million) and RMB11.0 million (US\$1.6 million) respectively, representing, 0.7%, 0.8% 1.0% and 1.2% of our total revenue in the respective periods.

Selection of Tenants

In selecting our tenants, we consider a number of factors including the nature of business engaged by them, their brand name and reputation, their proposed use of our properties, their financial viability and their compatibility with our development plan. We target to have a diversity of tenants offering different products and services which satisfy the needs of the surrounding communities as well as providing convenience and attraction to our hotel customers. Our tenants include restaurant, supermarket, bank, boutique, fitness center, beauty parlor, postpartum care center and infant education center.

Lease Arrangements

We enter into fixed term lease agreements with our tenants and the terms of leases range from two to ten years. The principal terms of our lease agreement typically include the term, rent, security deposit, the rights and obligations of both parties, payment terms and the termination and renewal arrangement. The rents under the lease arrangements are fixed rent (except one tenant whose rent is a fixed percentage of its profit), such rents determined based on the prevailing market rates. Our tenants are generally required to pay a security deposit of at least two months' rentals within seven days upon the execution of the lease agreements. We are required to refund the security deposit to our tenants on the dates of expiry or termination of the leases if they fulfill their obligations under the leases. Our tenants are generally required to provide us with not less than three months' written notice for any sublet or assignment of the leased properties.

We are entitled to terminate the lease agreements if our tenants alter the construction structure of the leased properties, our tenants' use of the leased properties lead to our loss or our tenants default in rental payments for six months or more. Meanwhile, our tenants can terminate the leases in advance by giving us three months' written notice. If our tenants would like to renew the leases upon their expiry, they are required to negotiate with us 60 days prior to the expiry of the leases and we generally provide them with the priority to lease the properties based on the same terms that we offer to the market. To the best of their knowledge, up to June 30, 2020, we did not experience any material disputes or litigations with our tenants, and we did not expect any significant difficulties in renewing leases with our existing tenants or entering into new leases with suitable tenants. We were also not aware of any circumstances which caused default in rental payments or early termination of lease agreements by our tenants which would lead to material adverse impact on our business operations and financial conditions.

OUR CUSTOMERS

Our customers mainly include individual purchasers of our residential properties, hotel guests and tenants of our commercial properties. For each of the year ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our five largest customers accounted for less than 30% of our total revenue, being approximately 6.7%, 3.6%, 4.1% and 3.4% of our Group's total revenue respectively, and revenue from our largest customer accounted for 2.9%, 0.8% 1.4% and 0.8% of our Group's total revenue respectively.

OUR SUPPLIERS

Our major suppliers consist of construction contractors and construction material suppliers. For each of the year ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers accounted for approximately 53.2%, 42.1% 54.7% and 46.1% of our Group's total purchases respectively, and our purchases from our largest supplier accounted for 23.2%, 19.2% 54.0% and 15.0% of our Group's total purchases respectively.

ENVIRONMENTAL MATTERS

We are subject to a number of environmental protection laws and regulations, including those relating to noise pollution and environmental impact assessment. Pursuant to the applicable PRC laws and regulations, each of our property development projects is required to undergo an environmental impact assessment before the commencement of construction. Depending on the impact of the project on the environment, we must submit the relevant environmental impact study report, environmental impact analysis table or environmental impact registration form, to the authorized environmental protection authorities for their evaluation and approval. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon the completion of each project, the relevant inspection authorities will inspect the project site to ensure that all applicable environmental standards and regulations have been complied with before the property can be delivered to the purchaser.

We adopt environmental policies and measures to ensure our compliance with the applicable environmental laws and regulations. For example, to minimize the negative impacts on the environment and natural resources caused by our construction process such as the emission of construction dust, noise, waste water and solid waste, other than implementing the standards and measures prescribed by the relevant environmental protection authorities, we adopt measures like procuring and using local and environmentally friendly building materials, prohibiting the burning of waste at construction sites, and limiting the operation of large scale machinery to day time and small scale machinery to indoors. To conserve energy consumption, in the design of our properties, we introduce systems to create indoor environment with good lighting and ventilation and apply water conservation technology and home automation system. We also encourage the use of a green office and promote environmental protection to our employees. For instance, to reduce the use of paper, we enhance our information technology system and maintain internal review and approval process through electronic communication channels, and encourage our employees to use both sides of paper for printing. We put up promotional posters to convey to them the message of environmental protection and encourage them to go outdoors by public transport or on foot. We also plan to participate in environmentally friendly activities such as “Earth Hour” organized by the World Wide Fund for Nature, tree planting and red packets recycle activities.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we incurred environmental compliance costs of approximately RMB1.1 million, RMB4.0 million, RMB1.8 million (US\$0.3 million) and RMB1.6 million (US\$0.2 million), respectively. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in the environmental protection rules and regulations.

None of our properties had received any material fines or penalties associated with the breach of any environmental laws or regulations as of June 30, 2020.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to various PRC laws and regulations with respect to safety and work-related incidents. We have established a set of guidelines on issues relating to occupational health and safety and have developed a comprehensive management system to implement our policies and procedures in this respect. In addition, we provide training to our employees on topics relating to occupational health and safety to enhance their awareness and knowledge. Under applicable PRC laws and regulations, our construction contractors are responsible for the safety of the construction sites and are required to maintain accident insurance for their workers. We generally require our construction contractors to purchase accident insurance in accordance with the applicable laws and regulations and adopt effective occupational safety control measures.

We are committed to providing our employees with a safe and hygienic working environment. To ensure construction quality and safety, we have established a set of standards and specifications which we require our employees and workers employed by our construction contractors to follow and conduct regular inspections in this respect. We also closely monitor the construction process to ensure that it is in compliance with the relevant laws and regulations.

As of June 30, 2020, we did not encounter any incidents which resulted in material injuries or fatalities of our employees and construction workers or had a material adverse impact on our business operations; and no material fines or penalties with respect to non-compliance of the relevant PRC labor, health and safety laws and regulations had been imposed on us.

PROPERTIES FOR OUR OWN USE

Owned Properties

As of June 30, 2020, we had the following self-owned properties for our own use.

No.	Use	Property location	Approximate GFA (sq.m.)
1.	Just Stay Hotel	190 Guanjing Road, Xingnan Avenue, Nancun Town, Panyu, Guangzhou	10,181.7 ^(Note)
2.	Just Stay Resort	288 Yuquan Avenue, Conghua, Guangzhou	21,844.2
3.	Staff accommodation	Villa no. 26, Guangzhou Yajule Huayuan, 398 Xingnan Avenue, Nancun Town, Guangzhou	444.5

Note: The total GFA of this property is approximately 10,432.0 sq.m., part of the hotel lobby area of approximately 250.3 sq.m. has been made available for lease. For details see “Our Commercial Properties Investment”.

Leased Properties

In the PRC

As of June 30, 2020, we leased 21 properties in Guangzhou, Yingde, Tengchong, Hainan, Zhuzhou and Zhaoqing with a total GFA of approximately 11,261 sq.m. mainly for headquarters, office, warehouse, staff canteen and staff dormitory uses.

Our headquarters

The leased property comprising our headquarters and certain sub-leased properties has an aggregate GFA of 5,209 sq.m. Pursuant to the terms of lease agreement and its first supplemental agreement, the lease term for our headquarters was from September 30, 2016 to October 31, 2019. The lease has been registered and the property ownership certificate has been provided by the Landlord. On May 20, 2019, we renewed the lease by entering into the second supplemental agreement with the landlord to renew the lease from November 1, 2019 to October 31, 2026. Pursuant to the renewed lease, the aggregate rent payable by us under the renewed lease for the entire lease term is approximately RMB8.5 million plus relevant taxes. Part of this leased property was sub-leased to Independent Third Parties. For details, please see “Our Commercial Properties Investment” section above.

Our headquarters is leased from Guangzhou Panyu Agile Realty Development Co., Ltd (廣州番禺雅居樂房地產開發有限公司), a deemed connected person of our Company.

Other leased properties in the PRC

Lease term of 11 of our leased properties in the PRC will expire by 2021 and all of such leased properties are used for staff dormitory. We expect to renew all of such leased properties upon their expiry. We will discuss with the relevant landlords for renewal of lease or rent other properties for replacement as and when appropriate depends on our business needs.

In Hong Kong

Apart from the above leased properties in the PRC, we also leased an office premises at Suites 3008-10 (30th Floor), Tower One of Times Square from an Independent Third Party for use as our office in Hong Kong as of June 30, 2020. The lease has a term from June 3, 2020 to March 8, 2023.

Other than landlord of our headquarters, landlords of our leased properties in the PRC and Hong Kong are all Independent Third Parties.

OUR EMPLOYEES

As of June 30, 2019, we had 911 employees. Set out below is breakdown of our workforce by function:

Function	The PRC	Hong Kong	Total
Management	19	4	23
Investment	6	0	6
Project design	14	0	14
Costing	22	0	22
Procurement	6	0	6
Engineering	59	0	59
Sales and marketing	108	0	108
Operations	3	0	3
Accounting and finance	35	3	38
Human resources and administration	47	4	51
Corporate communications	3	0	3
Development	14	0	14
Legal	2	0	2
Internal audit	3	0	3
Property management	268	0	268
Hotel operations	291	0	291
Total	900	11	911

We mainly recruit our employees through online recruitment platform and by referral. Our management participates in the performance evaluation of our employees and conduct salary reviews. We maintain good working relationships with staff and provide them with proper training, and competitive compensation and incentives. Through expansion of business, we provide promotion prospects and career development opportunities for our employees. As of June 30, 2020, we did not experience significant turnover of staff or disruption to our business operations due to labor disputes.

Management of our Group

Our Group has clear organizational structure and a dedicated reporting line to facilitate effective management and efficient decision-making process of our Directors and senior management. For details of the principal responsibilities and reporting line of each of the Directors and senior management, please refer to their respective profiles in the section headed “Management” in this offering memorandum.

To maintain continuous communication and supervision of our Group, we also convene monthly and quarterly meetings where each of our executive Directors and senior management report the operation and financial conditions of the centers, departments and Subsidiaries he or she is responsible for. In the year end meetings in February, we also decide the budgets, forecasts and business plan for the next financial year.

INTELLECTUAL PROPERTY RIGHTS

As of the date of this offering memorandum, we are not aware of any claims in relation to infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. We are also not aware of any material infringement of our intellectual property rights as of the date of this offering memorandum. We believe we have taken reasonable measures to prevent infringement of our intellectual property rights.

INSURANCE

We have maintained insurance coverage in relation to our business that is adequate and customary for our industry and in compliance with laws and regulations applicable to us. We are obliged to provide social insurance for our PRC employees as required by the relevant PRC laws and regulations. We did not make social insurance contribution in full historically. As of June 30, 2020, we estimated that the total outstanding amount of social insurance contributions that might be required by the relevant governmental authorities to repay was approximately RMB13.7 million (US\$1.9 million). We have already recorded accrued payable in the total amount of RMB13.7 million (US\$1.9 million) for the unpaid amount of social insurance contributions. We believe such accrued payable is sufficient to cover our liabilities in respect of the unpaid social insurance contributions. We have also taken out insurances for our employees in Hong Kong as required by the relevant Hong Kong laws.

Insurance we maintained include property all risks insurance, public liability insurance for our hotels, and car insurance for our vehicles. We are not aware of any material claim on any insurance policies maintained by us as of the date of this offering memorandum.

COMPETITION

We mainly focus on the real estate market in Guangdong, Hainan, Yunnan and Hunan. Over the years, we have accumulated in-depth local knowledge, made good connections and earned our reputation in the market. These have become our competitive advantage over our peers in the market.

Revenue recorded were mainly from sale of properties in Conghua of Guangzhou and Lingshui of Hainan. In 2018, the top five developers accounted for 74.2% of the sales amount in Conghua market while the top seven developers in Nansha accounted for 81% of the sales amount among the market. We ranked third in Conghua in terms of sales amount in 2018. The property markets of Conghua and Nansha have provided an environment for local developers to dominate the market and to develop more affordable housing than in Guangzhou due to a lower land cost. For Hainan market, as Sanya evolved into a property hotspot and a destination for tourist over the years, well-respected national developers gradually established their presence in the Sanya region while local players continued to thrive under the strong growth momentum of the market. The top ten developers in Sanya accounted for only 16.1% of the market share in terms of the sales amount in 2017. Sanya has provided an environment to enable local developers to develop and compete with the national newcomers while the market is fragmented, with no developer dominating the market. The total residential sale amount of Lingshui in 2017 is about RMB42.9 billion, which is about 44.8% of the market size of Sanya. Our sales amount in Lingshui was RMB1.45 billion in 2017, representing a market share of 3.4%. Like Sanya, the market in Lingshui is fragmented, with no single developer dominating the market. Local developers, being native to the market, have obtained a relatively high market share with their widely known brand names.

Please see “Industry Overview” for further details of the industry and geographical market in which we operate.

LEGAL PROCEEDINGS

We have been involved in administrative and legal proceedings in the ordinary course of business, personal injury claim from employee, dispute arising from our guarantee of mortgage granted to our customer by mortgage bank, disputes with our customer related to payment of property management fees and disputes with our customer on house decoration. We have not been involved in any legal or other disputes with contractors, purchasers or other persons that were material to our business, results of operations and financial conditions. Save as disclosed, as of the date of this offering memorandum, we had not been involved in any actual or threatened arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse impact on our reputation, business, results of operations and financial condition.

REGULATION

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

THE LAWS AND REGULATIONS OF THE PRC

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

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 Administration of Urban Real Estate* (中華人民共和國城市房地產管理法) (the “**Urban Real Estate Law**”) promulgated by the Standing Committee of the National People's Congress (“**SCNPC**”), which was effective on January 1, 1995 and amended on August 30, 2007 and August 27, 2009 and August 26, 2019, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profit. 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) (“**Development Regulations**”) promulgated and implemented by the State Council on July 20, 1998 and amended on January 8, 2011 and March 19, 2018, and further amended on March 24, 2019 and March 27, 2020, an enterprise which is to engage in the development of real estate shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or above; and (ii) 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 registered capital and the professional personnel of a real estate developer.

Pursuant to the Development Regulations, the system of capital fund shall be established for a real estate development project and the percentage of capital fund in the total investment of a project shall not be less than 20%. Under the *Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment* (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council on May 25, 2009, the requirement on the minimum capital for Social Welfare Housing and general commercial residence has been reduced from 35% to 20%, while the requirement on the minimum capital for other real estate projects has been reduced to 30%. In addition, under the *Notice on Adjusting and Perfecting the System of Capital Fund 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 funding for Social Welfare Housing and general commercial residence remains at 20%, while the minimum portion of capital funding for other real estate projects has been reduced from 30% to 25%.

Foreign-Invested Real Estate Enterprises

On July 11, 2006, the Ministry of Construction of the PRC, the Ministry of Commerce of the PRC (“**MOFCOM**”), the National Development and Reform Commission (“**NDRC**”), People's Bank of China (“**PBOC**”), the State Administration for Industry and Commerce (“**SAIC**”) and the State Administration of Foreign Exchange (“**SAFE**”) jointly promulgated the *Opinions on Regulating the Access and Administration of Foreign Capital in the Real Estate Market* (關於規範房地產市場外資准入和管理的意見) (“**Opinion 171**”) and amended on August 19, 2015, which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a Foreign-Invested Real Estate Enterprise (“**FIREE**”) in accordance with the applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US\$10 million or above shall be no less than 50% of its total investment amount, whereas for FIREEs with a total investment of less than US\$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can only obtain an approval certificate and business license which are valid for one year. The approval certificate and business

license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid; and (iv) an equity transfer or project transfer of a FIREE, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commerce authorities. The investor shall submit a letter to the commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that the tax relating to the transfer has been fully paid.

In connection with the filing requirement, MOFCOM issued the *Notice on the Proper Filings of Foreign Investment in the Real Estate Industry* (商務部關於做好外商投資房地產業備案工作的通知) on June 16, 2008 which was effective on July 1, 2008 to authorize the provincial branch of the MOFCOM to verify and check the filing documents.

On August 19, 2015, the Ministry of Housing and Urban-rural Development (“MOHURD”), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the *Circular on Amending the Policies Concerning Access by and Administration of Foreign Capital in the Real Estate Market* (關於調整房地產市場外資准入和管理有關政策的通知) which amended the relevant policies in the Opinion 171. According to this circular, (i) the ratio of registered capital to total investment of FIREEs 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); and (ii) the requirement that a FIREE must fully pay its registered capital before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans is hereby canceled.

On November 6, 2015, MOFCOM and SAFE jointly issued the *Notice on Further Improving the Registration of Foreign Investment in Real Estate* (商務部、外匯局關於進一步改進外商投資房地產備案工作的通知). According to the Notice, the local departments shall approve the establishment and changes of FIREEs in accordance with the laws and statutes concerning foreign investment. The Notice also cancels the registry publication procedures on the website of the MOFCOM.

On September 3, 2016, the NPCSC adopted a decision on amending the law of foreign invested companies which became effective on October 1, 2016. Upon the effectiveness of the decision, the establishment of foreign invested enterprises and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from the relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the SAIC issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, the NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to the relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry.

Under the *Catalog of Industries for Guiding Foreign Investment* (外商投資產業指導目錄) (“**Guidance Catalog**”) promulgated by MOFCOM and the NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited, and the construction and operation of large theme parks fall within the restricted category. Other real estate development falls within the category of industries in which foreign investment is permitted. On June 28, 2017, MOFCOM and the NDRC jointly issued the latest revised Guidance Catalog which was effective on July 28, 2017, according to which, the unanimous restrictive measures on both domestic and foreign investment are no longer included in the Guidance Catalog. The construction of golf courses and villas still belongs to the prohibition category. The construction and operation of large theme parks must be subject to the project approval process. On June 23, 2020 MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative list) for Foreign Investment Access (2020 version), effective from July 23, 2020 to replace the 2019 version and 2018 version.

On March 15, 2019, the National People’s Congress promulgated the *Foreign Investment Law of the People’s Republic of China* (中華人民共和國外商投資法) which became effective on January 1, 2020. Pursuant to it, foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment (hereinafter referred to as the “**negative list**”). For any field restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list. Fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

On December 26, 2019, the National People’s Congress promulgated the Implementing Regulations of the Foreign Investment Law of the People’s Republic of China (中華人民共和國外商投資法實施條例), which became effective from January 1, 2020. Pursuant to it, foreign investors shall not invest in any field forbidden by the negative list, and if foreign investors invest in fields restricted by the negative list, foreign investors shall conform to the requirements of the shareholding ratio and senior executives specified in the negative list. Where foreign investors invest in an industry or field requiring relevant licensing, the pertinent competent department responsible for granting the licensing shall review the foreign investor’s application for relevant licensing in line with the conditions and procedures consistent with those for domestic investment, without adding more or applying stricter licensing conditions, increasing review processes, review materials or putting forward other requirements against such foreign investor, unless otherwise stipulated by laws and administrative regulations. Foreign investors or foreign-invested enterprises shall submit their investment information to competent departments for commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Information Report of Foreign Investment (外商投資信息報告辦法), which became effective from January 1, 2020. According to it, since January 1, 2020, the relevant reports to the commerce authorities through the enterprise registration system will be required for the establishment of foreign-invested enterprises and the subsequent changes, instead of filing with or obtaining approvals from the commerce authorities.

Qualification of a Real Estate Developer

Classification of a real estate enterprise’s qualification

Under the Development Regulations, a real estate developer must record its establishment to the governing real estate development authorities in the location of the registration authority within 30 days after receiving its 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* (“**Provisions on Administration of Qualification**”) (房地產開發企業資質管理規定) promulgated by the Ministry of Construction of the PRC and implemented on March 29, 2000, revised on May 4, 2015, and last amended on 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.

In accordance with the Provisions on Administration of Qualification, qualifications of an enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government.

For a newly established real estate developer, after it has reported its establishment to the real estate development authority, the latter shall issue the Provisional Qualification Certificate (暫定資質證書) to the eligible developer within 30 days. The Provisional Qualification Certificate is effective for one year from its issuance while the real estate development authority may extend the validity to a period of no longer than two 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 one month before the expiry of the Provisional Qualification Certificate.

Business scope of a real estate developer

Under the Provisions on Administration of Qualification, a developer of any qualification classification may only engage in the development and sale of the real estate within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 real estate developer may undertake real estate development projects throughout the country without any limit on the scale of the project. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business undertaken shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

REGULATIONS ON LAND AND THE DEVELOPMENT OF REAL ESTATE PROJECTS

Land Grants

On April 12, 1988, the *Constitution of the PRC* (中華人民共和國憲法) (the “**Constitution**”) was amended by the NPC to allow the transfer of land use rights for value. On December 29, 1988, the *Land Administration Law of the PRC* (中華人民共和國土地管理法) was amended by the SCNPC to permit the transfer of land use rights for value.

Under the *Provisional Regulations of the PRC on Grant and Transfer of the Right to Use 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) promulgated by the State Council on May 19, 1990 and amended on November 29, 2020, 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. The land administration authority under the local government of the relevant city or county shall enter into a land grant agreement with the land user to provide for the grant of land use rights. 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.

According to the *Regulations regarding the Grant of State-Owned 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) promulgated by the Ministry of Land and Resources (“**MLR**”) on May 9, 2002 and amended on November 1, 2007, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding. A number of measures are provided to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

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 entity 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 entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

The *Regulations regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale* was revised on September 28, 2007 with the name *Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale* (招標拍賣掛牌出讓國有建設用地使用權規定) to further require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use rights certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

According to the *Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition)* and the *Catalog for Prohibited Land Use Projects (2012 Edition)* (關於發佈實施<限制用地項目目錄(2012年本)>和<禁止用地項目目錄(2012年本)>的通知) promulgated by the MLR and the NDRC on May 23, 2012, the granted land area of each residential housing project should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and the plot ratio must be more than 1.0 (inclusive).

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 right grant contract. Where construction does not commence within one year of commencement of construction as stipulated in the contract, an idle land fee may be charged at a rate of not more than 20% of the fee for the grant of land use rights. Where construction does not commence within two years, land use rights may be recovered without any compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or preliminary work necessary for the commencement of construction.

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 became effective on July 1, 2012, the land can be defined as idle land under any of the following circumstances: (i) development and construction of the state-owned idle land has not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or (ii) the development and construction of the state-owned idle land have commenced but the area under such development and construction 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*.

Planning and Acceptance Examination of a Real Estate Project

On October 28, 2007, the SCNPC promulgated the *Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法) and amended on April 23, 2019, pursuant to which, a construction work planning permit must be obtained from the 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.

After obtaining the construction work planning permit, a real estate developer shall apply for a construction work commencement permit 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 amended on September 28, 2018.

In accordance with the *Regulations on Administrative of Development and Operation of Urban Real Estate* promulgated by the State Council on July 20, 1998 and amended on January 8, 2011 and March 19, 2018, the *Development Regulations* and the *Regulations on the Quality Management of Construction Projects* (建設工程質量管理條例) promulgated by the State Council on January 30, 2000 and amended on October 7, 2017 and amended on April 23, 2019, the *Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure* (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by MOHURD on April 7, 2000 and amended on October 19, 2009 and the *Rules for the Confirmation of the Completion of Building Construction 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 and implemented on December 2, 2013, after the completion of construction of a project, the real estate must undergo inspection and receive relevant approvals from local authorities including planning bureau, fire safety authorities and environmental protection authorities within 15 days, and the relevant approvals should be despatched to the competent department of real estate development at regular intervals for the record.

REGULATIONS ON REAL ESTATE TRANSFER AND SALE

Real Estate Transfer

According to the Urban Real Estate Law and the *Provisions on Administration of Transfer of Urban Real Estate* (城市房地產轉讓管理規定) promulgated by the Ministry of Construction on August 7, 1995 and as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Sale and Pre-sale of Commodity Buildings

Under the *Regulatory Measures on the Sale of Commodity Buildings* (商品房銷售管理辦法) (“**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. The developer shall sign a contract on the sale of a commodity building with the purchaser. The price of the commodity building is decided by both parties, except for the conditions regulated by other laws and regulations.

Under the Regulatory Measures, commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (i) the real estate development enterprise shall have a business license and a qualification certificate of a real estate developer; (ii) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (iii) the enterprise shall have the construction work planning permit and construction work commencement permit; (iv) the building shall have been completed, inspected and accepted as qualified; (v) the relocation of the original residents shall have been well completed; (vi) 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 (vii) 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 *Development Regulations* and the *Measures for Administration of Pre-sale of Commodity Buildings* (城市商品房預售管理辦法) (“**Pre-sale Measures**”) promulgated by the Ministry of Construction on November 15, 1994 and amended on August 15, 2001 and July 20, 2004 respectively, the pre-sale of commodity buildings shall be subject to a licensing system, and a real estate developer intending to sell a commodity building before its completion shall make the necessary pre-sale registration with the real estate development authority of the relevant city or county to obtain a pre-sale permit. According to the Pre-sale Measures, the proceeds of a real estate developer from the pre-sale of commodity buildings must be used for the construction of the relevant projects.

On September 21, 2018, the 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. MOHURD and Guangdong province have not issued any regulations on abolishing the pre-sale system of commodity residential properties.

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

Measures on Stabilizing Housing Prices

According to the *Notice on 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 the China Banking Regulatory Commission (“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稅政策的通知) promulgated by MOF and SAT on March 30, 2015 and effective on March 31, 2015 (collectively, the “330 New Policy”), (i) 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; (ii) 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; and (iii) 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 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* (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%.

On February 1, 2016, PBOC and CBRC jointly issued 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) which specifies that, in principle, in the 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 its first ordinary residential property shall be 25% of the purchase price. However, local authorities have been allowed to adjust such down payment ratio to 20%.

Meanwhile, with respect to a household that has already owned a residential property with unsettled personal housing commercial loan and applies for another personal housing commercial loan to purchase another ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio for that purchase shall be at least 30% of the corresponding purchase price.

On October 10, 2016, the MOHURD issued the *Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Order of the Real Estate Market* (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

The MOHURD and the Ministry of Land and Resources jointly issued the *Circular on Tightening the Management and Control over Intermediate Residential Properties and Land Supply* (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017, which provides, among others, that cities and counties that have more than one million inhabitants should make a three-year (2017—2019) plan and a five-year (2017—2021) plan for housing land supply, and publicize such plans by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but

shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originates from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu, Guangzhou and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy.

The General Office of the People's Government of Guangzhou issued the *Circular of Further Improving The Policies of Accelerating a Stable and Healthy Development in the Real Estate Market* in Guangzhou (關於進一步完善我市房地產市場平穩健康發展政策的通知) on March 17, 2017, requires that the single adult (including the divorced) with Guangzhou household has been limited to purchase only 1 housing unit. The family without household in Guangzhou can purchase only 1 housing unit, if the family can provide a continuous payment certificate of personal income tax or social insurance certificate for 5 years in Guangzhou. The circular also requires the further improvement of the Differential Housing Credit Policy.

The Department of Housing and Urban Rural Development of Qingyuan and the Department of Development and Reform of Qingyuan jointly issued the *Circular on Further Strengthening the Supervision of Real Estate Market* (關於進一步加強我市房地產市場監管工作的通知) on June 8, 2017, which requires that real estate developer should register with the Department of Development and Reform of the sale price before the developer applies for the pre-sale permit. The registered prices are allowed to fluctuate in the appropriate range, but the increase cannot be higher than 5% of the actual sale price of the same new type of commodity housing before 1 months of this project. The decrease of the actual sale price cannot exceed 15% of the registered price.

The General Office of Hainan Provincial Committee of the Communist Party of China issued the *Circular of Further Stabilizing the Real Estate Market* (關於進一步穩定房地產市場的通知) on April 22, 2018 which mainly requires the following: (i) implementation of the strictest system for economizing on the use of land and the control of both the total and intensity of construction land supply, ensuring that the total construction land in Hainan Province will not increase; implementation of the general plan of Hainan (space category 2015 – 2030) and strictly control the ecology space use; (ii) implementation of strict purchase policy and extension of the purchase policy to the whole province based on the current purchase policies. The houses in Wuzhishan, Baoting, Qiongzong and Baisha cities and counties can only be sold to family with household in those cities and counties. For the areas which have already implemented purchase limit policies in Haikou, Sanya and Qionghai, families without Hainan household should provide at least 1 family member's continuous payment certificate of personal income tax or social insurance for at least 60 months, in order to purchase houses in the said areas. Apart from the areas above, families without Hainan household who purchase houses, should provide at least 1 family member's continuous payment certificate of personal income tax or social insurance for at least 24 months. The family who obtained Hainan household after this Circular has come into effect is limited to purchase only 1 housing unit, and the family has to provide at least 1 family member's continuous payment certificate of personal certificate of personal income tax or social insurance for at least 24 months; and (iii) the family without Hainan household who purchase houses in Hainan Province should pay no less than 70% down payment for commercial personal housing loans.

The PBOC and CBRC jointly promulgated the Notice on Establishing a 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) on December 31, 2020, which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution.

Rural collective construction land

On August 26, 2019, the Land Administration Law of the PRC was amended by the SCNPC became effective on January 1, 2020. Pursuant to it, the use right of rural collective construction land could be granted and leased by land owners to entities or individuals. Granting and leasing the use right of rural collective construction land should be subject to consent by not less than two-thirds of the members of the collective

economic organization or of the members' representatives. On June 23, 2005, the People's Government of Guangdong Province promulgated the *Administrative Measures of Guangdong Province for the Circulation of the Right to Use Collective Construction Land* (廣東省集體建設用地使用權流轉管理辦法) which became effective on October 1, 2005. On May 25, 2016, the Standing Committee of the Guangdong Provincial People's Congress promulgated the *Regulations on the Management of Collective Assets in Rural Areas of Guangdong* (廣東省農村集體資產管理條例) which became effective on July 1, 2016. On April 15, 2015, the People's Government of Guangzhou promulgated the *Regulations on the Management of Collective Asset Transaction in Rural Areas of Guangzhou* (廣州市農村集體資產交易管理辦法) which became effective on June 1, 2015. On July 23, 2015, the General Office of the People's Government of Guangzhou promulgated the *Measures of Guangzhou for the Circulation of the Right to Use Collective Construction Land* (廣州市集體建設用地使用權流轉管理辦法). The People's Government of Baiyun District of Guangzhou promulgated the *Measures on the Management of Collective Assets in Rural Areas of Baiyun District of Guangzhou* (廣州市白雲區農村集體資產交易管理辦法) on March 12, 2018. On September 20, 2018, the People's Government of Baiyun District of Guangzhou promulgated the *Measures of Baiyun District of Guangzhou for the Circulation of the Right to Use Collective Construction Land* (廣州市白雲區集體建設用地使用權流轉管理辦法(試行)). Pursuant to the above regulations, under the premise that the ownership of collective construction land remains unchanged, the right to use collective construction land could be granted, leased, transferred, subleased and mortgaged.

The grant of the use of collective construction land by the collective economic organization should conform to the following: (i) conforming to the General Land Use Planning, Urban and Rural Planning, and not being used as commodity housing development and housing construction; (ii) having obtained the Certificate of the Ownership of Collective Land and the Certificate of Collective Land of Use; (iii) having obtained the permit of Construction Land Planning; (iv) having been approved by the Meeting of Collective Economic Organizations or the Meeting of the Delegates (which should have obtained no less than two-thirds of all members or delegates' consent), and having gained the document of consent.

The grant of the use of collective construction land should be conducted in the Organization of Transaction for Rural Collective Asset (三資平台) or the transaction center for public resources. The land which conforms to the following circumstances should be granted by way of tender, auction and listing for sale: industrial land, or the profit-oriented collective construction land including commercial, tourism, and entertainment land, or land which has more than two potential users. The land planned for other uses could be granted by way of agreement.

The procedure of the grant of use of collective construction land in the Organization of Transaction for Rural Collective Asset is as follows: (i) the collective economic organization should apply for the intention to grant and submit the transaction plan in the Organization of Transaction for Rural Collective Asset; (ii) the transaction plan should be examined first in town or street; (iii) the transaction plan should be approved by the Meeting of Collective Economic Organizations or the Meeting of the Delegates and be officially published; (iv) the project should be set up in town or street; (v) the Organization of Transaction for Rural Collective Asset should announce the transaction; (vi) the grantee should be determined and the transaction result should be announced; and (vii) the transaction parties should sign the agreement and put on record in town or street.

In Baiyun District of Guangzhou, the procedure of the grant of use of collective construction land is as follows: (i) the collective economic organization should apply to the town or street regarding the intention to grant collective land; (ii) the town or street should prepare relevant materials and consult with the departments of land resources, planning, urban management, information and technology, industry, business and investment in Baiyun District, and the town or street should collect the preliminary opinions from the above departments and apply to the government of Baiyun District for examination; (iii) the collective economic organization should vote for and announce the grant plan, and prepare written documents of approval of the grant plan; (iv) after the above written documents are prepared, the town or street should apply to the department of land resources in Baiyun District to include the collective land to be granted into the annual land supply plan; (v) apply to the Organization of Transaction for Rural Collective Asset for transaction.

Mortgage on real estate

Under the Civil Code of the People's Republic of China (中華人民共和國民法典) ("PRC Civil Code") promulgated by the SCNPC on May 28, 2020, and implemented on January 1, 2021, 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 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 mortgager and the mortgagee shall sign a mortgage contract in writing.

According to the *Measures on the Administration of Mortgages of Real Estate in Urban Areas* (城市房地產抵押管理辦法) promulgated by the Ministry of Construction in May 1997 and amended on August 15, 2001, within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authorities at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original house ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the real property.

Lease of buildings

The *Administration Measures for Commodity Housing Leasing* was (商品房屋租賃管理辦法) promulgated on December 1, 2010 and came into effect on February 1, 2011. Pursuant to it, the parties to a real estate lease shall go through the lease registration formalities 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 has been 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 units which fail to make corrections within the specified time limit.

Real Estate Registration

According to the *Interim Regulations on Real Estate Registration* (不動產登記暫行條例) promulgated by the State Council on November 24, 2014 and enforced on March 1, 2015 and amended on March 24, 2019, the PRC will apply a uniform registration system over real estate. Under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the mentioned Interim Regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application shall be made jointly by both parties.

The MLR promulgated the *Implementing Rules of the Interim Regulations on Real Estate Registration* (不動產登記暫行條例實施細則) on January 1, 2016. The rules stipulate that after the acceptance of an application for real estate registration, the real estate registration authority shall perform site inspection. The owners and interested parties may inquire and obtain the relevant real estate registration information. The rules also clarify that real estate registration information shall be managed by the relevant real estate registration authorities, who shall establish a real estate registration information management system and the information safety and confidentiality system, and construct a specific place that meets the security standard for the protection of real estate registration materials to store the real estate registration materials.

REGULATIONS ON REAL ESTATE FINANCING

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, loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit. 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). The notice emphasizes the tightening of the management of loans to certain projects, the commercial banks are prohibited from providing loans to property developers to finance the payment of land premium.

On September 29, 2010, PBOC and CBRC jointly issued the *Circular on Issues Concerning the Improvement of Differentiated Housing Loan Policies* (關於完善差別化住房信貸政策有關問題的通知), which states that commercial banks shall stop issuing loans for new development projects and extending loan extensions to real estate development enterprises that have illegal records, such as holding idle land, changing the use and nature of land, delaying the opening of completion time, and selling the land to the public. We will continue to support real estate development enterprises in undertaking medium-and low-priced, small-and medium-sized housing projects and in participating in government-subsidized housing projects.

On March 13, 2018, the PRC State Council further submitted the Reform Plan on State Council Agencies for review of the First Session of the thirteenth NPC, proposing to merge the CIRC and the CBRC to strengthen the regulation over financial institutions, and thereafter report to the newly established Financial Stability and Development Committee.

On 25 August, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

REGULATIONS ON URBAN RENEWAL POLICY

Regulation of the Province of Guangdong

On August 25, 2009, the People's Government of Guangdong Province issued the *Opinions on Promoting the "Three Old" Renewal and Promoting the Economical and Intensive Use of Land* (關於推進「三舊」改造促進節約集約用地的若干意見). On September 14, 2016, the People's Government of Guangdong Province issued the *Notice on Upgrading the "Three Old" Renewal to Promote the Economical and Intensive Use of Land* (關於提升「三舊」改造水準促進節約集約用地的通知). Pursuant to the above regulations, the land which could be included in the scope of "Three Old" Renewal Policy are as follows: (i) urban land re-designated from manufacturing industry to the tertiary industry (退二進三); (ii) land discontinued to be used as factory sites of manufacturing industries under urban and rural planning; (iii) the original land for factories in prohibited or eliminated industries as stipulated in the state industrial policies; (iv) land of factories that do not meet the requirements of safe production or environmental protection; (v) towns and villages with scattered layout or in poor conditions that are planned to be redeveloped; and (vi) land for "Rural Land Improvement" Demonstration Project. All land subject to the "Three Old" Renewal Policy should have completed cadastral survey and it should be confirmed that the land use rights are registered. In the self-redevelopment projects of old factories involving changing the land from industrial land into profit-oriented land such as commercial, tourism, entertainment and commodity housing land, the land owner should pay supplementary land premium and other taxes and fee, and no less than 15% of the total land should be transferred to the government for free for urban infrastructure, public service facilities or other public welfare projects construction.

Regulation of the City of Guangzhou

On November 28, 2015, the People's Government of Guangzhou issued the Measures for Urban Renewal of Guangzhou (廣州市城市更新辦法) which was effective on January 1, 2016. On December 29, 2015, the General Office of People's Government of Guangzhou issued the *Measures for Old Factories Renewal of Guangzhou* (廣州市舊廠房更新實施辦法). Pursuant to the above regulations, the urban land of old factories which was built or granted the land use right before June 30, 2007, and re-designated from manufacturing industry or which are utilized inefficiently, could be included into the scope of redevelopment if the land of old factories conforms to the following standards: (i) land which was legally obtained through allocation or grant, and conform to registration requirement (including land which has been used before January 1, 1987); (ii) old factories land which has obtained the legal land use right of collective construction land; or (iii) original collective old factories land which has perfected the land grant procedures according to provincial Urban Renewal Policy.

There are three ways to redevelop old factories: procured-and-stored by the government, self-redevelopment and the combination of the two. Old factories land on state-owned construction land which are redeveloped into residential land (excluding indemnificatory housing) should be procured and stored by the government; old factories land on state-owned construction land which are redeveloped into commercial land and are located in some specific areas should be procured and stored by the government, otherwise it could be self-redeveloped by the land owner.

Procedure of self-redevelopment projects is as follows: (i) the land owner should apply to be plotted into the government system (標圖入庫), and apply to be listed into the annual renewal projects implementation plan; (ii) the land owner should compile the redevelopment plan and submit to the government for examination and

approval; (iii) the government should issue the approval of redevelopment plan to the owner of the land; (iv) the land owner should go through the procedure of land grant by way of agreement, sign the land grant contract, pay the supplementary land grant premium and change the land owner certificate. The relevant land is not subject to any public auction or listing-for-sale process.

For old factories redevelopment projects procured-and-stored by the government, after the land owner has gained the approval of redevelopment plan, the land owner should sign the land transfer agreement and transfer the old factories land to the government, and cancel the registration of the certificate of the ownership of land; the government should pay the land owner compensation according to the agreement signed and should hold a public auction or listing-for-sale activity to grant the relevant land.

Regulations of the City of Qingyuan

On June 25, 2010, the People's Government of Qingyuan issued the *Implementation Opinion on Promoting the Renewal of "Three Old" and Promoting the Economical and Intensive Use of Land* (關於清遠市推進「三舊」改造促進節約集約用地實施意見) and *Supporting Policies for Implementing the "Three Old" Renewal and Promoting the Economical and Intensive Use of Land* (清遠市區實施「三舊」改造促進節約集約用地若干配套政策). Pursuant to the above regulations, land which could be included into the "three old" renewal are as follows: (i) land of old town and old factories redeveloped under urban planning; (ii) land re-designated from manufacturing industry to tertiary industry; (iii) urban land discontinued to be used as factory sites of manufacturing industries according to urban and rural planning; and (iv) land of factories that do not meet the requirements of safe production or environmental protection.

Ways of redevelopment of old factories include procured-and-stored by the government, self-redevelopment, redeveloped by third parties, and redevelopment for rural collective construction land. Land should be transferred to the government and redeveloped by the government if the land is redeveloped for urban infrastructure and public welfare facilities constructions or for old town redevelopment under urban planning. The land owner will sign the land transfer agreement with the government and cancel the registration of certificate of the ownership of land. The government should pay compensation to the land owner in accordance with the relevant land transfer agreement and should hold a public auction or listing-for-sale activity to grant the relevant land.

The procedure of self-redevelopment by land owner is as follows: (i) the land owner should submit application to the government; (ii) the land owner should compile redevelopment plan and submit to the government; (iii) after the redevelopment plan has been approved by the government, the land owner should go through the procedure of land grant by way of agreement, sign the land grant contract, pay the supplementary land grant premium and change the land owner certificate. The relevant land is not subject to any public auction or listing-for-sale process.

REGULATIONS ON HOTEL OPERATIONS

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operation of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Security and Fire Control

Pursuant to Interim Provisions on the Examination and Acceptance of Fire Control and Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定), issued by the MOHURD on April 1, 2020 and enforced on June 1, 2020, if the gross area of a hotel to be built is more than ten thousand square meters, the construction unit of the hotel should apply to the Fire Department of the public security authority for fire design review, and after the completion of the construction, the construction unit shall apply to the Fire Department of the public security authority for the issue of a reviewing opinion for acceptance of fire control protection.

INSURANCE

There is no mandatory provision under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

REGULATIONS ON PROPERTY MANAGEMENT

Enterprises shall engage in property management activities subject to relevant provisions under the Property Management Regulations (物業管理條例) (implemented on September 1, 2003, amended on August 26, 2007 and February 6, 2016 and amended according to the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (國務院關於修改和廢止部分行政法規的決定) on March 19, 2018).

On March 8, 2018, MOHURD issued Order No. 39 Decision Regarding Repealing the Measures on Property Service Enterprises Qualification Management (關於廢止<物業服務企業資質管理辦法>的決定), which repealed the Measures on Property Service Enterprises Qualification Management (物業服務企業資質管理辦法), and currently qualification of property service enterprise is no longer required for providing property service within the PRC.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the *Prevention and Control of Noise Pollution Law of the PRC* (中華人民共和國環境噪聲污染防治法) promulgated by SCNPC on October 29, 1996 and amended on December 29, 2018, the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) amended by SCNPC on April 24, 2014 and became effective on January 1, 2015, the *Environmental Impact Assessment Law of the PRC* (中華人民共和國環境影響評價法) amended by SCNPC on July 2, 2016 and became effective on September 1, 2016 and was further amended and became effective on December 29, 2018, the *Administrative Regulations on Environmental Protection for Development Projects* (建設項目環境保護管理條例) amended by the State Council on July 16, 2017 and effective on October 1, 2017, and the *Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings* (建設項目竣工環境保護驗收管理辦法) promulgated on December 27, 2001, became effective on February 1, 2002 and last amended on December 22, 2010 and the *Interim Measures of Environmental Protection for Acceptance Examination Upon Completion of Buildings* (建設項目竣工環境保護驗收暫行辦法) promulgated and became effective on November 20, 2017. 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 TAXATION

Income Tax

According to the *Enterprise Income Tax Law* (企業所得稅法) (the "EIT Law") promulgated by the NPC on March 16, 2007 and amended and entered into force on February 24, 2017 and further amended on December 29, 2018, enterprises that are established in China according to law, or established in accordance with foreign (regional) laws but the actual administrative agency is in China, will be subject to a corporate income tax rate of 25%.

According to the EIT Law and the *Regulations on the Implementation of the Enterprise Income Tax Law* (企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008 and as amended on April 23, 2019, where non-resident enterprises have not established institutions or places in China, or where, despite the establishment of an institution or place, there is no real connection between the income obtained and the establishment of the institution or place, the enterprise income tax shall be levied at the rate of 10% of the income derived from the territory of China.

On March 6, 2009, SAT issued the *Measures Dealing with Enterprise Income Tax on Real Estate Development and Operation* (房地產開發經營業務企業所得稅處理辦法), which stipulates the tax treatment of real estate development enterprise income, cost and expense deduction, tax cost accounting and tax treatment of specific matters.

Pursuant to the *Arrangement between Mainland China and Hong Kong Special Administrative Region on 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 by SAT on August 21, 2006, if the beneficial owner of the dividend is a resident of the other party, the tax shall not exceed: (i) if the beneficial owner is a company that directly owns at least 25% of the capital of the company that pays the dividend, 5% of the total dividend; and (ii) in other cases, 10% of the total dividend. According to the *Notice on issues regarding the Administration of Dividend Provisions in Tax Treaties* (關於執行稅收協議股息條款有關問題的通知), which was promulgated by SAT on February 20, 2009, the payee of dividends paid by a Chinese resident company must meet a number of conditions in order to enjoy the preferential income tax rate stipulated in the tax agreement. One of the requirements is that the taxpayer must be the “beneficial owner” of the relevant dividend. Pursuant to the *Notice on How to Understand and Recognize the “Beneficiary Owner” in Tax Treaties* (關於如何理解和認定稅收協議中「受益所有人」的通知) promulgated by SAT on October 27, 2009, “beneficiary owners” generally engage in substantive business activities and may be individuals, companies or any other group. It also lists out the factors that have a negative impact on the identification of such “beneficial owners”.

Business Tax and Value-added Tax

On November 16, 2011, with the approval of the State Council, SAT and the Ministry of Finance jointly promulgated the *Circular on the Pilot Program of Replacing Business Tax with Value-Added Tax* (營業稅改徵增值稅試點方案). According to the Proposal, in the pilot areas, pilot programs will be carried out in the transportation industry, some modern service industries and other productive service industries. Business taxes will be abolished and value-added tax will be levied. In addition to the current value-added tax 17% standard tax rate and 13% low tax rate, an increase of 11% and 6% in two low tax rates. The tax rate is 17% for leasing tangible movable property, and is 11% for transportation and construction, and is 6% for other modern service industries.

On November 19, 2017, the State Council promulgated the *Decision on Abolition of the Provisional Regulations of the PRC on Business Tax and Amendment of the Provisional Regulations of the PRC on Value-added Tax* (關於廢止中華人民共和國營業稅暫行條例和修改中華人民共和國增值稅暫行條例的決定), which abolished the *Provisional Regulations on Business Tax* (中華人民共和國營業稅暫行條例) and amended the *Provisional Regulations on Value-added Tax* (中華人民共和國增值稅暫行條例), selling goods or processed and providing labor services of processing, repairs or maintenance within the PRC, sales of services, intangible assets, real estate and imported goods shall be subject to value-added tax.

On April 4, 2018, MOF and SAT promulgated the *Notice on the Adjustment of Value-added Tax Rates* (關於調整增值稅稅率的通知) which provided that the tax rate for the provision of transportation, postal services, basic telecommunications, construction, and real estate leasing services, the sales of real estate and the transfer of land use rights will be adjusted from 11% to 10%. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

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) promulgated by the State Council 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 by the Ministry of Finance on January 27, 1995, any capital-gain from a transfer of real estate shall be subject to LAT, after deducting various prescribed items. Deductible items include the following:

- (i) amount paid for obtaining the land use rights;
- (ii) costs and expenses for the development of the land;
- (iii) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- (iv) related tax payable for the transfer of real property; and
- (v) other deductible items as specified by MOF.

Deed Tax

Pursuant to the *Interim Regulations of the PRC 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 as amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be 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 MOF and SAT for the record.

Pursuant to the *Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions* (關於調整房地產交易環節契稅、營業稅優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, for an individual purchasing the only residential property for his/her household, the rate of deed tax was adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m. For an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax was reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

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 amended on December 7, 2013 and on March 2, 2019, land use tax in respect of urban land is levied according to the area of relevant land, the annual tax on every square meter of urban land shall be between RMB0.6 and RMB30 per square meter of urban land.

Property Tax

In accordance with the *Provisional Rules on Real Estate Tax of the PRC* (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986, implemented on October 1, 1986 and amended on January 8, 2011 and the *State Council of the PRC Order 546* (中華人民共和國國務院令2008第546號) promulgated by the State Council on December 31, 2008, property owners (including foreign-invested enterprises, foreign enterprises and organizations, and foreign individuals) shall pay property tax. The tax rate of property tax shall be calculated according to the residual value of the property, and the tax rate shall be 1.2%. The tax rate is 12% if it is calculated on the basis of the rental income of the property.

Stamp Duty

Under the *Interim Regulations of the PRC on Stamp Duty* (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988, implemented on October 1, 1988 and amended on January 8, 2011, for real estate transfer instruments, including those in respect of real estate ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permit and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty shall be levied on an item-by-item basis of RMB5 per item.

Municipal Maintenance Tax and Education Surcharge

Under the *Interim Regulations of the People's Republic of China on Municipal Maintenance Tax* (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, implemented on January 1, 1988 and amended on January 8, 2011, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the *Interim Provisions on Imposition of Education Surcharge* (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986, implemented on July 1, 1986 and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the *Notice of the State Council on Raising Funds for Schools in Rural Areas* (國務院關於籌措農村學校辦學經費的通知). The additional rate of education surcharge is 3%.

REGULATIONS ON FOREIGN EXCHANGE

Under the *Foreign Exchange Administration Regulations of the PRC* (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 and amended on August 5, 2008, the foreign exchange proceeds of domestic institutions and individuals may be transferred back to China or deposited abroad. 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 the 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.

According to the *Notice on Relevant Issues Concerning Foreign Exchange Administration of Offshore Investment, Financing and Return Investments by Domestic Residents through Special Purpose Vehicles* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued by SAFE on July 4, 2014, before making capital contributions to a special purpose company with domestic or foreign legal assets or rights, residents shall apply to the foreign exchange administration for foreign exchange registration procedures for overseas investment. After a registered overseas special purpose company has undergone changes in basic information such as shareholders, names, and business terms, or changes in important matters such as capital increase, capital reduction, equity transfer or replacement, merger or division of domestic residents, residents should handle the relevant foreign exchange registration procedures at the foreign exchange bureau.

According to the *Notice on the Reform of the Administration of Foreign Exchange Capital Settlement for Foreign-Invested Enterprises* (關於改革外商投資企業外匯資金結匯管理方式的通知) issued by SAFE on March 30, 2015 and became effective on June 1, 2015, the foreign exchange capital in the capital account of a foreign-invested enterprise that is confirmed by the foreign exchange bureau for currency investment rights (or registered by the bank for currency investment) may be settled at the bank according to the actual operating needs of the enterprise. The proportion of foreign exchange capital of foreign-invested enterprises willing to settle foreign exchange is tentatively set at 100%. The SAFE may adjust the above ratio according to the balance of payments situation in a timely manner.

On October 23, 2019, SAFE issued the Circular to Further Promote Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

REGULATIONS ON LABOR AND SOCIAL SECURITY

On June 29, 2007, SCNPC 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 and amended on December 28, 2012. Pursuant to it, the employing unit shall conclude a written labor contract with the employee. The employing unit shall, in accordance with the labor contract and the provisions of the State, pay the employees their remuneration in full and on time. The employing unit may not force a worker to work overtime or in disguised form, when the employing unit arranges overtime work, it shall pay overtime to the employee in accordance with the relevant regulations of the State. In addition, according to the relevant laws and regulations of social security, the employer should pay a number of social insurance (including medical treatment, old-age pension, unemployment, industrial injury and maternity insurance) and housing provident fund for its employees.

Pursuant to the *Social Insurance Law of the PRC* (中華人民共和國社會保險法) promulgated by SCNPC on November 28, 2010 and implemented on July 1, 2011, the *Interim Regulations Concerning the Collection and Payment of Social Insurance Premium* (社會保險費徵繳暫行條例) promulgated and implemented on January 22, 1999 by the State Council and amended on March 24, 2019, the *Interim Measures Concerning the Maternity Insurance of Employees of an Enterprise* (企業職工生育保險試行辦法) promulgated on December 14, 1994 and implemented on January 1, 1995 by the 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 by the State Council and amended on March 24, 2019, 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. While 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 overdue 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 one to three times the outstanding amount might be imposed by the relevant administrative department.

MANAGEMENT

GENERAL

Our board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information in respect of our directors:

Name	Age	Position
Mr. CHAN Sze Ming Michael (陳思銘)	32	Executive Director and chairman
Mr. LIU Huaxi (劉華錫)	45	Executive Director and vice chairman
Ms. ZHENG Catherine Wei Hong (alias 鄭紅)....	53	Executive Director and president
Mr. WU Xinping (吳新平).....	56	Executive Director and vice president
Mr. XUE Shuangyou (薛雙有).....	57	Executive Director and vice president
Ms. WEI Miaochang (韋妙嫦)	52	Executive Director and general manager of finance center
Mr. MA Ching Nam (馬清楠).....	68	Independent non-executive Director
Mr. LEONG Chong (梁翔)	55	Independent non-executive Director
Mr. WU William Wai Leung (胡偉亮).....	54	Independent non-executive Director

DIRECTORS

Our Board consists of nine Directors, including six Executive Directors and three Independent Non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

Executive Directors

Mr. CHAN Sze Ming Michael (陳思銘), aged 32, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director and chairman of our Company on November 13, 2019. Mr. Michael Chan founded our Group in December 2013. He is primarily responsible for formulating development strategies of our Group, establishing overall business, operation and management directions and project investment strategies, managing design center, finance center and audit, supervision center, human resources and administration center and operation center of our Group. He reports to the Board as a whole, and chairs the monthly and quarterly meetings with other Executive Directors and senior management of our Group. He is also a director of a number of our Subsidiaries.

Since the establishment, Mr. Michael Chan, as supported by a dedicated management team, has been participating in the overall operation and management of our Group, including (i) making investment decisions and formulating operation strategies, (ii) overseeing the daily operations of various departments in our Group, (iii) researching on the property market, real estate industry and global economy, (iv) supervising design and product development, (v) overseeing the financial management and works that involve budget planning and financing negotiating, (vi) inspecting the quality control work of the construction sites, and (vii) monitoring the overall marketing strategies and promotion of our brand. As our business continues to expand, our Group constantly recruits professional and dedicated management with substantial experience in the real estate development industry in the PRC, such as Mr. Liu Huaxi, Mr. Wu Xinping and Mr. Xue Shuangyou. By leveraging Mr. Michael Chan's overseas academic background and the knowledge and experience of our Directors and senior management, Mr. Michael Chan also formulates the development strategies and directions of our Group.

Mr. Michael Chan obtained a Bachelor of Commerce (major in Finance) in July 2011 from Griffith University in Australia. After graduation, he founded our Group in 2013, and has since then obtained over five years of experience in the real estate development industry. Mr. Michael Chan was awarded "Real Estate Innovator in 2018" (「2018年度地產創新人物」) by China Times (《華夏時報》), and "New China's Real Estate Leader of the Year" (「中國房地產年度新領軍人物」) by China International Real Estate & Architectural Technology Fair (CIHAF) (中國國際房地產與建築科技展覽會) in 2019.

Mr. LIU Huaxi (劉華錫), aged 45, was appointed as a Director on May 24, 2019 was redesignated as an executive Director and vice chairman of our Company on November 13, 2019. Mr. Liu joined our Group in May 2019. He is primarily responsible for managing the investment center, procurement center, finance administration department of our Group, and our Subsidiaries in Hong Kong. He reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. He is also a legal representative of Zhongshan Yueheng. He is a member of our remuneration committee and nomination committee. He holds 50% interest in Zhongshan Yuelai which in turn owns 5% interest in Zhongshan Jingyue, our Subsidiary.

Before joining our Group, Mr. Liu has worked in Agile Group Holdings Limited (雅居樂集團控股有限公司) since 1995. He was responsible for project operation and development, hotel business, property management, administration and human resources management, capital market operation and management of Agile Foundation. He left as the vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司), and chairman of Agile Foundation (廣東省雅居樂公益基金會) in 2014. From August 2014 to April 2019, he has worked in Zhongshan Yuelai as the vice chairman and executive president. He was responsible for the overall management of the company. C&L International Holdings Pty Ltd, a company where Mr. Liu held 30% shareholding, completed the real estate project of Royal Como – 663-667 Chapel Street, South Yarra, Melbourne in Australia in 2018. He has over 24 years of experience in real estate development industry and senior management.

Mr. Liu graduated from Hohai University (河海大學) in the PRC in July 1995 majoring in Industrial Enterprise Management. He was named “Person of the Year” (年度影響力風雲人物) for 2015-2016 Zhongshan Zhuhai Jiangmen Real Estate Overall Rating (中珠江樓市總評榜) by Sohu and www.focus.cn in 2016. Mr. Liu was an executive director, manager and legal representative of Zhongshan Jihong Electrical Appliances Switch Co., Ltd. (中山市技宏電器開關有限公司) which was established in the PRC and the person in charge of Zhongshan Sanjiao Town Jihong Electrical Appliances Switch Sales Department (中山市三角鎮技宏電器開關經銷部) which was a private business in the PRC, and they were deregistered in 2015 and 2009, respectively. Mr. Liu confirmed that the company and the business were solvent at the time of deregistration.

Ms. ZHENG Catherine Wei Hong (alias 鄭紅) (previously known as Zheng Weihong, 鄭衛紅), aged 53, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director of our Company on November 13, 2019. Ms. Catherine Zheng joined our Group in March 2014, and is now the president of our Group. She is primarily responsible for managing the marketing center and our Subsidiaries operating property management and hotel operations business. She reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. She is also a director or legal representative of a number of our Subsidiaries.

Before joining our Group, Ms. Catherine Zheng has worked in Agile Property Land Co., Ltd. (雅居樂地產置業有限公司) as the assistant to president from 2001 to 2010, and in Guangzhou Panyu Agile Real Estate Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司) as the general manager from 2010 to 2014. She was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, managing the real estate projects, supervising on accomplishment of the operation targets and plans of the company and participating in marketing activities. Ms. Catherine has over 17 years of experience in the real estate development industry and senior management.

Ms. Catherine Zheng obtained a Master of Business Administration with Distinction in May 2001 from The University of Western Sydney in Australia. Ms. Catherine Zheng was awarded “Outstanding Female Entrepreneur of Guangdong Province” (廣東省優秀女企業家) by Guangdong Female Entrepreneur Association (廣東省女企業家協會) in May 2013 and she became the vice president of the Council Committee of Guangzhou Female Entrepreneur Association (廣州市女企業家協會) since January 2012.

She has been the vice president of the 6th Council Committee of Guangzhou Panyu Nancun General Chamber (廣州市番禺區南村總商會) since June 2016.

Mr. WU Xinping (吳新平), aged 56, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director of our Company on November 13, 2019. Mr. Wu joined our Group in March 2017, and is now the vice president of our Group. He is primarily responsible for managing engineering center of our Group, Guangzhou Hongchuang and Guangzhou Chuangyi. He reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. He is also a director or legal representative of a number of our Subsidiaries.

Before joining our Group, Mr. Wu has worked in Agile Property Land Co., Ltd. (雅居樂地產置業有限公司) as the general manager of the Engineering Center from 1999 to 2017. He was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, supervising the real estate projects, and controlling the costs of the company. Mr. Wu has over 19 years of experience in the real estate development industry and senior management.

Mr. Wu graduated from Yangzhou University (揚州大學) in the PRC in October 1998 majoring in Economics Management. He received his license as a senior engineer from the Human Resources Bureau of Nantong City (南通市人事局) in the PRC in July 2003. He was also a member of the Chartered Institute of Building in March 2011.

Mr. XUE Shuangyou (薛雙有), aged 57, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director of our Company on November 13, 2019. Mr. Xue joined our Group in October 2017, and is now the vice president of our Group. He is primarily responsible for managing our Subsidiaries in Conghua, Zhaoqing, Qingyuan, Zhuzhou, Hainan, Yunnan, Nansha. He reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. He is also a director or legal representative of a number of our Subsidiaries.

Before joining our Group, Mr. Xue has worked in Agile Group Holdings Limited (雅居樂集團控股有限公司) as the regional president from 1999 to 2017. He was responsible for formulating medium-term to long-term development plans and regular operation plans based on the overall development plan of the company, supervising the real estate projects, and controlling the costs of the company. Mr. Xue has over 20 years of experience in the real estate development industry and senior management.

Mr. Xue obtained a bachelor's degree in Construction Engineering (major in Construction Structure Engineering) in July 1984 from Inner Mongolia Engineering College (內蒙古工學院) (currently known as Inner Mongolia University of Technology (內蒙古工業大學)) in the PRC. He received his license as a senior engineer from the Ministry of Machine-Building Industry of the People's Republic of China (中華人民共和國機械工業部) in September 1996.

Ms. WEI Miaochang (韋妙嫦), aged 52, was appointed as a Director on May 24, 2019 and was redesignated as an executive Director of our Company on November 13, 2019. Ms. Wei joined our Group in July 2014, and is now the general manager of finance center of our Group. She is primarily responsible for overseeing financial management of our Group, including profit forecast and analysis and taxation management. She reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group.

Before joining our Group, Ms. Wei has worked in certain group companies of Agile Group Holdings Limited as (i) the finance manager from 1998 to 2006 where she was responsible for the financial management work, and (ii) the manager of audit and supervision center from 2006 to 2014 where she was responsible for the audit supervision work of the group. Ms. Wei has over 20 years of experience in financial management, audit and senior management.

Ms. Wei graduated from University of Electronic Science and Technology of China in the PRC, majoring in Financial Management learning online in June 2013. She received the certificate of accounting (intermediate) in the PRC issued by the Ministry of Human Resources and Social Security and Ministry of Finance of the People's Republic of China in December 2008. She was further designated as certified internal auditor by The Institute of Internal Auditors in November 2012.

Ms. Wei was an executive director and legal representative of Shanghai Mingri Doors & Windows Manufacturing Co., Ltd. (上海明日門窗製造有限公司) which was established in the PRC with its business license revoked in 2003. Ms. Wei confirmed that the company was solvent at the time of the revocation of its business license.

Independent non-executive Directors

Mr. MA Ching Nam, CStJ, J.P. (馬清楠), aged 68, was appointed as an independent non-executive Director on November 13, 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Ma is the chairman of our nomination committee, and member of our audit committee and remuneration committee.

Mr. Ma obtained a degree of Bachelor of Science in Economics with honors from The University of Hull in July 1977. He was admitted as a solicitor in England and Wales, Hong Kong, Victoria (Australia) and Singapore in 1981, 1982, 1985 and 1990, respectively. He is also a Notary Public, China Appointed Attesting Officer and Civil Celebrant of Marriages. Mr. Ma has been practicing law for more than 35 years.

He is currently a partner of Hastings & Co, Solicitors & Notaries. Mr. Ma currently serves as director of Tai Sang Bank Limited, Heptacontinental group of companies, Ma Kam Ming Company Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. He is also the independent non-executive director of Union Medical Healthcare Limited (2138.HK) and Time Watch Investments Limited (2033.HK).

Mr. Ma was the president of the Hong Kong Society of Notaries from 2007 to 2013. He was also a director of Po Leung Kuk from 2009 to 2014, the vice chairman from 2014 to 2019, and became the chairman in 2019. He was appointed a member of Political and Consultative Conference in Hunan Province, the People's Republic of China from 2008 to 2017 and a visiting professor of the China Agricultural University since 1999, respectively.

Mr. LEONG Chong (梁翔), aged 55, was appointed as an independent non-executive Director on November 13, 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Leong is the chairman of our remuneration committee, and member of our audit committee and nomination committee.

Before joining our Group, Mr. Leong worked as (i) construction analyst of the research department in Carr Indosuez Asia Group from 1994 to 1995, (ii) research analyst in ING Baring Securities (Hong Kong) Limited from 1995 to 1997, (iii) analyst and vice president in the equity research division of Morgan Stanley Dean Witter Asia Limited from 1997 to 2000, (iv) director in equity research department of Credit Suisse First Boston (Hong Kong) Limited from 2000 to 2001. Then, he joined Morgan Stanley Dean Witter Asia Limited (摩根士丹利添惠亞洲有限公司) and worked in the Morgan Stanley group of companies from 2002 to 2015.

Mr. Leong obtained the degree of Bachelor of Arts with a major in Computer Science in December 1990 by University of California, Berkeley. Mr. Leong was a director of Gateway Capital Group Limited which was incorporated in Hong Kong and was dissolved by being struck off from the register of companies pursuant to Section 291 of the Companies Ordinance in 2002. Mr. Leong confirmed that the company was solvent at the time of dissolution.

Mr. WU William Wai Leung (胡偉亮), aged 54, was appointed as an independent non-executive Director on November 13, 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Wu is the chairman of our audit committee, member of our remuneration committee and nomination committee.

Before joining our Group, Mr. Wu worked as (i) analyst and then associate in the corporate finance department of Marleau, Lemire Securities Inc., Canada from 1993 to 1995, (ii) business analyst of Salomon Brothers Hong Kong Limited from 1995 to 1996, (iii) assistant manager in the corporate finance division of Schroders Asia Limited from 1996 to 1998, (iv) manager and then senior manager from 1998 to 1999 in the equity capital markets department of BNP Equities Hong Kong Limited, (v) director of e2-Capital Limited and E2-Capital (HK) Limited from 1999 to 2001, and then head of equity capital markets and joint head of corporate finance of SBI E2-Capital Limited (joint venture between Softbank Investment and E2-Capital Group) from 2001 to 2002, (vi) employee of Sunwah Kingsway Capital Holdings Limited (188.HK) (previously known as SW Kingsway Capital Holdings Limited) from 2002 to 2011, with the titles of executive director and chief executive officer from 2006 to 2010 and strategy consultant from 2010 to 2011, (vii) chief executive officer of RHB Hong Kong Limited from 2011 to 2017 and (viii) executive director and chief executive officer of Power Financial

Group Limited (397.HK) from 2017 to 2019. Since January 2019 until now, Mr. Wu is the managing director of investment banking at Glory Sun Securities Limited (previously known as China Goldjoy Securities Limited) (an indirect subsidiary of China Goldjoy Group Limited (1282.HK)). He also became a responsible officer for asset management (type 9) in April 2019 and a responsible officer for advising on corporate finance (type 6) in May 2019. Currently, he is also an independent non-executive director of Asia Allied Infrastructure Holdings Limited (711.HK) since 2015 and Document Security Systems (DSS-NYSE-AMER) since 2019. He is also the director of Hong Kong – ASEAN Economic Cooperation Foundation Limited and Monte Jade Science and Technology Association of Hong Kong Limited. Mr. Wu has over 26 years of experience in financial industry and senior management.

Mr. Wu graduated from Simon Fraser University, Vancouver, BC, Canada with a degree of Bachelor in Business Administration in October 1990, and a degree of Master in Business Administration in June 1993. He became the chartered financial analyst designated by The Institute of Chartered Financial Analysts in September 1996.

Mr. Wu is also a member of Guangxi Zhuang Autonomous Region Committee of the Chinese People’s Political Consultative Conference, life chairman of HK Guangxi Chamber of Commerce Limited, vice chairman of Federation of Hong Kong Guangxi Community Organizations and Honorary Chairman of Islands Community Foundation Association.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management.

Name	Age	Position
Ms. TAN Yuxing (譚玉杏).....	46	Vice president
Mr. LAN Chiyuan (藍熾源).....	42	Vice president
Mr. LIU Huaqiang (劉華強).....	41	Financial controller
Ms. WAI Ching Sum (衛靜心).....	53	Deputy general manager and company secretary

Ms. TAN Yuxing (譚玉杏), aged 46, is the vice president of our Group. She joined our Group in April 2014. She is primarily responsible for managing the cost center of our Group. She reports to the Board, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Ms. Tan worked in Agile Group Holdings Limited as (i) the secretary to the head of real estate management center from 2000 to 2004, (ii) the supervisor of the Panyu project contract cost department where she was responsible for monitoring the project costs and budgets from 2004 to 2006, and (iii) the secretary and assistant to the vice chairman from 2006 to 2014 where she assisted the vice chairman in managing the projects in the PRC. She has over 19 years of experience in management of real estate projects and senior management.

Ms. Tan graduated from Zhongyang Guangbo Dianshi University (中央廣播電視大學) (currently known as The Open University of China) in the PRC in January 2008 majoring in Law. She further received the certificate of assistant engineer in the PRC issued by Human Resources and Social Security Department of Guangdong Province in the PRC in December 2010.

Mr. LAN Chiyuan (藍熾源), aged 42, is the vice president of our Group. He joined our Group in May 2014. He is primarily responsible for managing design center of our Group. He reports to the Board, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Mr. Lan first worked as the chief designer in Foshan Jianyi Jianzhu Design Institute Co., Ltd. (佛山市建藝建築設計院有限公司) from 2001 to 2007. He then worked as the assistant to general manager and head of Foshan branch of Guangdong Yuejian Design & Research Institute Co., Ltd. (廣東粵建設計研究院有限公司佛山分公司) from 2007 to 2010. He then worked as manager in the design department of Agile Group Holdings Limited (3383.HK) from 2010 to 2014. He was responsible for the technical guidance design management work and daily management of the department. Mr. Lan graduated from Guangzhou University in July 2001 majoring in Building Construction. He further received the certificate of architectural design engineer (intermediate) in the PRC issued by the Ministry of Human Resources of Meizhou City of the PRC in February 2009.

Mr. LIU Huaqiang (劉華強), aged 41, is the financial controller of our Group. He joined our Group in April 2018. He is primarily responsible for financial management, financing and investor relations of our Group. He reports to Mr. Liu Huaxi, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Mr. Liu worked in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. Guangzhou Branch for nine years. He left the firm as senior manager in the audit department in 2011. From 2011 to 2014, he was the general manager of the financial planning management department of Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (中新天津生態城投資開發有限公司), the master developer of the Tianjin Eco-City, the PRC. He was responsible for financial management and analytical work. He then worked as the assistant to general manager and the financial controller in Huafa Industrial (HK) Limited, a company engaging in real estate development, leasing and investment from 2014 to 2018. Mr. Liu has over 16 years of experience in finance and senior management.

Mr. Liu obtained a Bachelor of Management in Accounting (minor in Computer Science and Application) in Sun Yat-Sen University in June 2002, a Master of Business Administration in November 2016 from The University of Hong Kong. He was a certified public accountant by The Guangdong Institute of Certified Public Accountants in September 2006.

Ms. WAI Ching Sum (衛靜心), aged 53, is the deputy general manager and company secretary of our Group. She joined our Group in August 2017. Ms. Wai is primarily responsible for corporate governance and corporate affairs of our Group. She reports to Mr. Liu Huaxi, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Ms. Wai worked in various group companies of UDL Management Limited from 1996 to 1999. She left the group as the company secretary. She then worked as the company secretary of (i) COSCO International Holdings Limited (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd.) (517.HK) from 1999 to 2005 and (ii) Agile Property Holdings Limited (currently known as Agile Group Holdings Limited) (3383.HK) from 2005 to 2014. Ms. Wai was an executive director and the financial director of Sumpo Food Holdings Limited (currently known as Leyou Technologies Holdings Limited) (1089.HK) from 2014 to 2015. From 2015 to 2017, she was the company secretary of Pacific Century Group Holdings (HK) Limited, an investment management company. Ms. Wai has over 23 years of experience in senior management and provision of company secretarial services to private and listed companies.

Ms. Wai obtained a Master of Science in Financial Economics, through long distance learning, in December 1997 from University of London, the United Kingdom, and a Master of Laws in Chinese Comparative Law in November 2002 from the City University of Hong Kong. She was admitted as a fellow member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in June 2002.

COMPANY SECRETARY

Ms. WAI Ching Sum (衛靜心), aged 53, was appointed as our company secretary on November 2, 2018. She is responsible for corporate governance and corporate affairs of our Group.

BOARD COMMITTEES

Audit Committee

Our audit committee comprises three independent non-executive Directors, namely, Mr. Ma Ching Nam, Mr. Leong Chong and Mr. Wu William Wai Leung. Mr. Wu William Wai Leung is the chairman of our audit committee.

Remuneration Committee

Our remuneration committee comprises Mr. Liu Huaxi and three independent non-executive Directors, namely, Mr. Ma Ching Nam, Mr. Leong Chong and Mr. Wu William Wai Leung. Mr. Leong Chong is the chairman of our remuneration committee.

Nomination Committee

Our nomination committee comprises Mr. Liu Huaxi and three independent non-executive Directors, namely, Mr. Ma Ching Nam, Mr. Leong Chong and Mr. Wu William Wai Leung. Mr. Ma Ching Nam is the chairman of our nomination committee.

COMPENSATION OF DIRECTORS

The aggregate amount of remuneration our directors have received (including fees, salaries, allowances and other benefits in kind, performance-related bonuses, pension scheme contribution and social welfare) for each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was approximately RMB8.9 million, RMB19.2 million, RMB10.4 million (US\$1.5 million) and RMB6.5 million (US\$0.9 million), respectively.

SHARE OPTION SCHEME

In order to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group, we adopted the share option scheme conditionally adopted pursuant to the written resolutions passed by our shareholders on November 13, 2019.

PRINCIPAL SHAREHOLDERS

As of the date of this offering memorandum, the following persons had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance:

Name of Share holder	Nature of Interest	Number of ordinary shares held or interest in the Company	Approximate percentage of shareholding ⁽¹⁾
Mr. Michael Chan.....	Founder of a discretionary trust ⁽²⁾	1,200,000,000	72.9%
IQ EQ (BVI) Limited.....	Trustee of a discretionary trust ⁽²⁾	1,200,000,000	72.9%
Sze Ming Limited.....	Beneficial owner ⁽²⁾	1,200,000,000	72.9%
Ms. Shum Wing Yin.....	Interest of spouse ⁽³⁾	1,200,000,000	72.9%

Notes:

- (1) The calculation is based on the total number of issued ordinary shares of 1,646,173,000 shares of the Company as of the date of the offering memorandum.
- (2) These Shares are held by Sze Ming Limited. The entire issued capital of Sze Ming Limited is held by IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust, a discretionary trust with Mr. Michael Chan as settlor and protector and established in accordance with the laws of the BVI. There are certain discretionary beneficiaries including Mr. Michael Chan, his parents, his siblings and his descendants. Mr. Michael Chan is taken to be interested in these Shares held by Sze Ming Limited pursuant to the SFO.
- (3) Ms. Shum Wing Yin is the spouse of Mr. Michael Chan, and is deemed to be interested in the Shares which are interested by Mr. Michael Chan under the SFO.

Save as disclosed above, as of the date of this offering memorandum, our Company had not been notified by any persons who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

MAJOR RELATED PARTY TRANSACTIONS

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
			(In thousands)				(Unaudited)
			(Unaudited)				(Unaudited)
Sale of properties.....	-	496	-	-	-	-	-
Provision of guarantee in respect of borrowings outstanding	250,670	222,010	-	-	543,067	445,000	81,811
Rendering of property management services.....	-	707	1,167	165	324	481	68
Rendering of management consultancy services.....	-	-	14,286	2,022	11,950	1,754	248
Rendering of property fitting out work	-	-	-	-	-	45,872	6,493
Providing guarantees for borrowings – Donghuzhou	-	-	-	-	-	133,000	18,825
Key management compensation							
Salaries and other employee benefits	8,814	19,145	37,291	5,278	10,397	6,510	921
Pension costs	76	101	105	15	50	5	1

For more details, please see our consolidated financial information and Note 37 thereto included elsewhere in this offering memorandum.

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 bank and other borrowings amounted to RMB4,088.5 million (US\$578.7 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to Industrial and Commercial Bank of China, China Construction Bank and Bank of China. These loans are typically project loans to finance the construction of our projects (the “project loans”) and have terms ranging from one to fifteen years, which generally correspond to the construction periods of the particular projects. As of June 30, 2020, the aggregate outstanding amount under these project loans totaled approximately RMB2,523.9 million (US\$357.2 million). 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 6.83% per annum. Our weighted average effective interest rate represents actual finance cost incurred during the year or period divided by weighted average borrowings that were outstanding during the year or period.

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;
- make any major change to the company’s status, such as liquidation, dissolution and reduction of its registered capital;
- 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, RMB2,523.9 million (US\$357.2 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 house properties and/or 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 has any amount of principal and interest of the relevant project loan payable that is outstanding at maturity (including those declared immediately due);
- if the borrower is unable to repay principal and interest in accordance with the relevant repayment schedule;
- if the borrower's profit before tax is insufficient to repay relevant project loans after final accounting of the accounting period;
- 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.

OFFSHORE BORROWINGS

We, as borrower, entered into facility agreements with offshore banks from time to time. On December 29, 2020, we as the borrower, Hang Seng Bank Limited as the facility agent and mandated lead arranger and certain other financial institutional as lenders, entered into a facilities agreement in the aggregate principal amount of HK\$734,000,000 for a term of 36 months (the "Hang Seng Bank Facility"). The Hang Seng Bank Facility bears a floating interest rate at 3.9% per annum over HIBOR and is secured by shares of Jingye Holdings Limited (景業控股有限公司) and Jingye Holdings (HK) Limited. We subsequently paid off (i) a total of HK\$160,000,000 and US\$3,000,000 term loan facility with Hang Seng Bank Limited; (ii) the HK\$300,000,000 term loan facility letter dated July 14, 2020 with Chong Hing Bank Limited and (iii) HK\$200,000,000 term loan facility dated September 4, 2020 with the Bank of East Asia, Limited. As of the date of this offering memorandum, we have drawn down HK\$734,000,000 under this Hang Seng Bank Facility.

SENIOR NOTES

March 2021 Notes

On March 10, 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\$150,000,000 of the March 2021 Notes on March 10, 2020. The March 2021 Notes are listed on the SEHK. As of the date of this offering memorandum, a total of US\$150,000,000 principal amount of the March 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2021 Notes are guaranteed by our existing subsidiaries (the “March 2021 Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the September 2021 Indenture. Each of the March 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the March 2021 Notes.

Interest

The March 2021 Notes bear an interest rate of 7.5% per annum, payable semi-annually in arrears.

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:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling shares or capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the March 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the 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 Triggering Event

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding 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 9, 2021.

At any time prior to March 9, 2021, we may, at its option, redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to March 9, 2021, we may, at its option, redeem up to 35% of the aggregate principal amount of the New Notes with the Net Cash Proceeds of one or more sales of Common Stock in an Equity Offering at a redemption price of 107.5% of the principal amount of the New Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions;

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the March 2021 Notes at a redemption price equal to 100% of the principal amount of the March 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

DESCRIPTION OF THE NEW NOTES

For purposes of this “Description of the New Notes,” the term “**Company**” refers only to JY Grandmark Holdings 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 February 8, 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 (if any). This summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

BRIEF DESCRIPTION OF THE NEW 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 (if any), to the extent of the value of the assets serving as security therefor; and
- are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on February 7, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 7.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on August 8, 2021 and February 7, 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 24, 2021 or January 23, 2022 (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. 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 New 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.

Though there are references to “Rating Decline” in this Description of Notes, investors should note that the Notes are not rated at the time of this offering memorandum and the Original Issue Date.

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 Jingye Holdings Limited and Jingye Holdings (HK) Limited (collectively, the “**Initial Subsidiary Guarantors**”). The Initial Subsidiary Guarantors are holding companies that do not have significant operations. Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “**Initial Other Non-Guarantor Subsidiaries**”) nor those Restricted Subsidiaries organized under the laws of the PRC (the “**PRC Non-Guarantor Subsidiaries**”) will be a Subsidiary Guarantor on the Original Issue Date. In addition, none of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) (in the case of a Restricted Subsidiary) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) (in the case of any other entity) is proposing to purchase the Capital Stock of an Independent Third Party such

that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or the relevant Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from causing such JV Subsidiary Guarantee to be provided or (b) requiring the Company or such Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “**JV Subsidiary Guarantee**”) and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing confirming that, under New York law, each such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor, including the subsidiary guarantee for the Existing Notes (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “**New Non-Guarantor Subsidiaries**,” and together with the Initial Other Non-Guarantor Subsidiaries, the “**Other Non-Guarantor Subsidiaries**”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 25% of Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “**Future Subsidiary Guarantor**” and upon execution of the applicable supplemental indenture to the Indenture will be a “**Subsidiary Guarantor**.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, Exempted Subsidiaries and Listed Subsidiaries, are referred to herein as the “**Non-Guarantor Subsidiaries**.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of June 30, 2020, the Company and its consolidated Subsidiaries had total debt of approximately RMB4,088.5 million (US\$578.7 million), of which approximately RMB2,889.3 million (US\$409.0 million) was secured debt of the Company or a Subsidiary.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total debt of approximately RMB2,523.9 million (US\$357.2 million), capital commitments of approximately RMB2,017.8 million (US\$285.6 million) and contingent liabilities of nil.

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"; or a satisfaction and discharge as described under "– Satisfaction and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions “– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “– Certain Covenants – Limitation on Asset Sales” and “– Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes a new Non-Guarantor Subsidiary.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries that is also a Subsidiary Guarantor, and upon such release such Subsidiary Guarantor and such Restricted Subsidiaries will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes), *provided that*, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 25% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

REPLACEMENT OF SUBSIDIARY GUARANTEES WITH JV SUBSIDIARY GUARANTEES

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Company or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;

- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the 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 a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “– Certain Covenants – Limitation on Asset Sales” and “– Certain Covenants – Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the covenant described under the caption “– Certain Covenants – Limitation on Asset Sales” to the extent required.

As of the date of the Indenture, all of the Company's Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain Subsidiaries as “Unrestricted Subsidiaries.” The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “**Further Issue**”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* the issuance of any such Additional Notes shall then be permitted under the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” below.

OPTIONAL REDEMPTION

At any time prior to February 7, 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 February 7, 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 107.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

SELECTION AND NOTICE

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders 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 cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of "**Offer to Purchase**").

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of

their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a Change of Control Triggering Event" of this offering memorandum.

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

NO MANDATORY REDEMPTION OR SINKING FUND

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

ADDITIONAL AMOUNTS

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

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a

national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, on and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
 - (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium on or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any Initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to conclusively rely on and accept such 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 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“**Permitted Indebtedness**”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any *Pari Passu* Guarantee;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with any refinancings thereof); *provided that* such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g), (m) and (o) below);
 - (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided that* (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further that* any Preferred Stock issued by a Subsidiary Guarantor or JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
 - (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “**refinance**,” and “**refinances**” and “**refinanced**” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u), (v) and (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the

amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness, the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, 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 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 (i) representing Capitalized Lease Obligations, or (ii) 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*, (A) in the case of sub-clause (ii), the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) in the case of sub-clause (ii), 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), (v) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided that* such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant described under the caption “– Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding (together with refinancings thereof) does not exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary held by such Trust Company Investor, *provided that*, on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clause (h) above and clauses (q), (s), (t), (u), (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), (v) and (x) 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\$25.0 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), (v) and (x) 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), (v) and (x) 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 clauses (v) and (x) 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 clause (x) below 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;
 - (w) Indebtedness constituting a Subordinated Shareholder Loan;

- (x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (x) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s), (t), (u) and (v) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (x) 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
 - (y) Indebtedness Incurred by the Company or any Restricted Subsidiaries secured by the pledge of deposit of the net proceeds of the Notes received by the Company and is used by a Restricted Subsidiary incorporated in the PRC to in effect receive such proceeds in the PRC to the extent the amount of such Indebtedness Incurred under this clause (y) does not exceed the amount of the net proceeds from the sale of the Notes on the Original Issue Date.
- (3) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in the first paragraph of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of such Indebtedness or Preferred Stock described above.
 - (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of any Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its 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, 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 the first day of the fiscal quarter containing the Measurement Date 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\$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided, however, that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided, however, that* any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock”;
- (7) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided, however, that* any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided that* the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5.0 million (or the Dollar Equivalent thereof) in any fiscal year;
- (10) 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;
- (11) (a) the declaration and payment of dividends on the Common Stock of the Company by the Company with respect to the fiscal year ended December 31, 2019 in an aggregate amount to the extent not exceeding US\$30.0 million (or the Dollar Equivalent thereof); and (b) the declaration and payment of dividends on the Common Stock of the Company with respect to the fiscal year ended December 31, 2020 and the repurchase of Common Stock of the Company in an aggregate amount to the extent not exceeding US\$40.0 million (or the Dollar Equivalent thereof);
- (12) 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;
- (13) the distributions or payments of Securitization Fees in connection with Receivable Financings; or
- (14) the redemption, repurchase, retirement or other acquisition of Capital Stock of any Restricted Subsidiary at a consideration not less than the Fair Market Value of such Capital Stock to the extent not exceeding 5% of Total Assets,

provided that, in the case of clauses (2), (3), (4), (8) 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.

Notwithstanding any other provision of this “Limitation on Restricted Payments” covenant, clause (b) of the first paragraph of this covenant does not have to be satisfied with respect to any Restricted Payment consisting solely of the declaration or payment of dividends in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company on The Stock Exchange of Hong Kong Limited; *provided that*, no Default shall have occurred and be continuing or would occur as a consequence of such declaration, payment or repurchase and the only amount of any Restricted Payment made pursuant to this paragraph that shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met shall be the excess amount, if any, of (x) the aggregate amount of all declarations and payments of dividends on such Common Stock during any fiscal year of the Company and price paid for all such repurchased Common Stock during such fiscal year over (y) 30% of profit for the year based on the consolidated financial statements of the Company in the immediate prior fiscal year.

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 (14) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof). Notwithstanding any other provision of this covenant, in the case of a declaration of dividend with respect to the Company’s or any Restricted Subsidiary’s Capital Stock which involves a scrip dividend option, such Restricted Payment shall be deemed to be made only when the cash component of such dividend is finally determinable by the Company or such Restricted Subsidiary.

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (14) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this 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 or Disqualified Stock permitted under the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in shareholders’ agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary or, in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and/or the Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption "– Limitation on Restricted Payments" if made on the date of such sale or issuance and *provided that* the Company complies with the covenant described under the caption "– Limitation on Asset Sales"; or
- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the covenant described under the caption "– Limitation on Asset Sales."

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (d), (q) or (y) (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 in the case of clause 2(q) or such Indebtedness in the case of clause 2(y)), under the caption "– Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption “– Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Hong Kong Stock Exchange Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; or
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of the Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the covenant described under the caption “– Limitation on Restricted Payments,” (ii) transactions pursuant to agreements in effect on the Original Issue Date and 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 paragraphs) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of the Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under “– Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “– Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “– Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that*, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, if any, or any Indebtedness of a Non-Guarantor Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in a Permitted Business (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) ("**Replacement Assets**"),

provided that, Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "**Excess Proceeds.**" Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis by lot or such other method the Trustee determines in its sole and absolute discretion. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however, that* the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “– Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering or other document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any credit support in compliance with clause (6) of this paragraph) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “– Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption “– Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “– Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not

a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “– The Subsidiary Guarantees and the JV Subsidiary Guarantees”.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and the Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from any of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (2) “– Certain Covenants – Limitation on Restricted Payments”;
- (3) “– Certain Covenants – Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) Limitation on the Company’s Business Activities “– Certain Covenants – Limitation on the Company’s Business Activities”;
- (6) “– Certain Covenants – Limitation on Sale and Leaseback Transactions”;
- (7) “– Certain Covenants – Limitation on Asset Sales”; and
- (8) clauses (3), (4) and 5(x) of the first and second paragraphs of “– Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “– Certain Covenants – Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that*, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee
 - (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio thereof, with a certificate from the Company’s external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and
 - (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers’ Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as “**Events of Default**” in the Indenture:

- (1) default in the payment of principal of (or premium (if any) on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under the caption “– Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions “– Repurchase of Notes upon a Change of Control Triggering Event” or “– Certain Covenants – Limitation on Asset Sales”;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15.0 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\$15.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company); or

- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, premium (if any) on and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium (if any) and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium (if any) on and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium (if any) on and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium (if any) and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its own funds in following such direction if 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.”

The Trustee and the Agents are not obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders for any loss arising from any failure by it to do so. The Trustee and the Agents may assume that no such Event of Default or Default has occurred and that the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are performing their respective obligations under the Indenture and the Notes unless the Trustee and the Agents have received written notice of the occurrence of an Event of Default or Default. The Trustee and the Agents are entitled to conclusively rely, without liability, on any Officers' Certificate regarding whether or not a Default or an Event of Default has occurred and is continuing.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, 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 or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;

- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this caption, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred if the Notes are rated at such time.

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 if the Notes are rated at such time,

provided that this paragraph shall not apply to any sale or other disposition that complies with the covenant described under the caption “– Certain Covenants – Limitation on Asset Sales” or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under the caption “– The Subsidiary Guarantees and the JV Subsidiary Guarantees – Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, (ii) Holders or beneficial owners of the Notes that are located in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium (if any) on and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium (if any) on and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “– Consolidation, Merger and Sale of Assets” and all the covenants described herein under “– Certain Covenants,” other than as described under the captions “– Certain Covenants – Government Approvals and Licenses; Compliance with Law” and “– Certain Covenants – Anti-Layering,” and (ii) clause (3) under “– Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “– Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “– Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium (if any) on and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (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.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either:
 - (a) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or

- (b) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable written instructions from the Company directing the Trustee or the Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (2) the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor has paid all other sums payable under this Indenture;
- (3) such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is a party or by which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is bound (other than the Indenture, the Notes or any Security Document).

In addition, the Company must deliver to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge have been satisfied.

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, Clearstream or any relevant clearing system;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the New Notes” to the extent that such provision in this “Description of the New 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 or modified with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes or the Trustee may amend or waive future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), 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**”), paying agent (the “**Paying Agent**”) and 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 the Notes, and no implied covenant or obligation shall be read into the Indenture and the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit. The Trustee and the Agents may have an interest in or may be providing or may in the future provide financial or other services to other parties; *provided, however, that* if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee and the Agents shall not be deemed to have knowledge of any Event of Default or Default unless it has received express written notice of such Event of Default or Default.

Under the Indenture, the Trustee is entitled to be indemnified and/or secured and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity in priority to the claims of the Holders.

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 such 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.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the “**Initial Global Note**”). On the Original Issue Date, the Initial Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “**Additional Global Notes**” and, together with the Initial Global Note, the “**Global Notes**”).

GLOBAL NOTES

Ownership of beneficial interests in the Initial Global Note (the “**book-entry interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “– Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTES

Payments of any amounts owing in respect of the Global Notes (including principal, premium (if any), interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under the caption “– Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Notes (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTES

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however, that* no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

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

TRANSFERS

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

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions" of this offering memorandum.

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

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

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

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

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

INDIVIDUAL DEFINITIVE NOTES

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “– Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal office of the Company; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be, and no separate notices to the Holders are required under the above paragraph. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, the City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the New 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 February 7, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“**Affiliate**” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, at any time during the period for which the determination of affiliation is made; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) 100% of the principal amount of such Note on February 7, 2022, plus (y) all required remaining scheduled interest payments due on such Note through February 7, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “– Certain Covenants – Limitation on Restricted Payments”;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under the caption “– Consolidation, Merger and Sale of Assets”;
- (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;
- (8) any sale, transfer or other disposition of assets by the Company or any Restricted Subsidiary to any Person that becomes a Restricted Subsidiary upon consummation of such sale, transfer or disposition of assets; and
- (9) Any disposition of Receivable Financing Assets in connection with any Receivable Financing which constitutes Indebtedness (other than Non-recourse Receivable Financing) Incurred in compliance with the covenants described under “– Certain Covenants – Limitation on Indebtedness.”

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“**Bank Deposit Secured Indebtedness**” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a Guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and the Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“**Board Resolution**” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“**Capitalized Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, *provided* that Capitalized Lease shall not include any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“**Capitalized Lease Obligations**” means the discounted present value of the rental obligations under a Capitalized Lease.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“**Change of Control**” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least two-thirds 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, provided that the Notes are rated by at least one Rating Agency, 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 February 7, 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 February 7, 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 (other than capitalized interest arising from lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16); *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, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

“**Consolidated Net Income**” means, for any period, the aggregate of the net income (or loss) of the Company and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for *Indebtedness*, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole

or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (*provided that* such increase is permitted under the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“**Currency Agreement**” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“**Default**” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“**Disqualified Stock**” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions “– Certain Covenants – Limitation on Asset Sales” and “– Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions “– Certain Covenants – Limitation on Asset Sales” and “– Repurchase of Notes upon a Change of Control Triggering Event.”

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“**Entrusted Loans**” means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided that* such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

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

“**Euroclear**” means Euroclear Bank SA/NV.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided that* (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Existing Notes” means the US\$150 million 7.5% senior notes due 2021 issued by the Company pursuant to an indenture dated as of March 10, 2020 (as such may be amended, supplemented or modified from time to time).

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the **“Four Quarter Period”**) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the **“Reference Period”**) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that, to the extent that clause (d) or (e) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“**GAAP**” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“**HKFRS**” means the Hong Kong Financial Reporting Standards.

“**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 “**Incurrence**” have meanings correlative with the foregoing.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, (2) Entrusted Loans, or (3) any Perpetual Securities Obligation; *provided that* such Indebtedness is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“**Independent Third Party**” means any Person that is not an Affiliate of the Company.

“**Interest Rate Agreement**” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“**Investment**” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or the Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “– The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary, any class of Voting Stock of which is listed on a Qualified Exchange, and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Measurement Date” means March 10, 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.

“Non-recourse Receivable Financing” means Receivable Financing (i) under which neither the Company nor any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Company.

“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 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to a tender agent (the “**Tender Agent**”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Tender 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 Tender Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“**Officer**” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“**Officers’ Certificate**” means a certificate signed by two Officers; *provided, however, that*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

“**Opinion of Counsel**” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“**Original Issue Date**” means the date on which the Notes are originally issued under the Indenture.

“**Pari Passu Guarantee**” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided that* (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“**Permitted Businesses**” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date, which, for the avoidance of doubt, shall include, among others, the real estate development business.

“**Permitted Holders**” means any or all of the following:

- (1) Chan Sze Ming Michael and Shum Wing Yin;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in clause (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“**Permitted Investment**” means:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more other Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “– Certain Covenants – Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “– Certain Covenants – Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any Restricted Subsidiary (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) made 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 30% 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) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;

(iii) if any of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made 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 set forth under the “– Limitation on Transactions with Shareholders and Affiliates” covenant; and

(iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (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 or intermediary parties or agents in connection with the financing of primary land development or urban redevelopment in the PRC, which advances are recorded as assets on the Company’s consolidated balance sheet and pursuant to the terms of which are to be repaid to the Company or a Restricted Subsidiary or to offset part of land acquisition cost payable by the Company or its Restricted Subsidiaries;

(19) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(20) repurchases of the Notes;

(21) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;

(22) Investment that has been agreed to or is otherwise obligated to be made pursuant to a agreement or similar instrument in existence on the Original Issue Date;

(23) loans, advances or deposits to a shareholder of a Restricted Subsidiary the proceeds of which are injected into such Restricted Subsidiary or any of its Restricted Subsidiaries;

(24) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing; and

(25) any customary indemnity or make-up of difference in payments in connection with any Receivable Financing.

“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 or created, granted or extended pursuant to agreements 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 or Capitalized 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 clauses (2)(o) and (x), respectively, of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (23) (x) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness; and (y) Liens on bank accounts with respect to which the net proceeds of the Notes are deposited to secure any Indebtedness permitted to be incurred under clause (2)(y) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (24) Liens securing Indebtedness permitted under clauses (2)(r), (s), (t), (u) or (v) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;

- (25) Liens incurred or deposits made to secure Entrusted Loans; and
- (26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under the caption “– Certain Covenants-Limitation on Indebtedness and Preferred Stock.”

“**Permitted Subsidiary Indebtedness**” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(b), (d), (f), (g), (m) and (o) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20% 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 and (3) Fitch, provided that if S&P, Moody’s, Fitch or some or all of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch or some or all of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“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 a Change of Control or 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 (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,” if the Notes are rated at such time, 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 three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three 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;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than three 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 as determined by the Company in good faith of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person, *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 HKFRS 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.

“Standard Non-recourse Receivable Financing Undertakings” means representations, warranties, undertakings, covenants and indemnities entered into by the Company or any Restricted Subsidiary which the Company has determined in good faith to be customary for a seller or servicer of assets in Non-recourse Receivable Financings.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest or premium (if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however, that* with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any Initial Subsidiary Guarantor and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits with any bank, trust company or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“**Total Assets**” means, as of any date, the total consolidated assets of the Company and the Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(t) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a new Non-Guarantor Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such new Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a new Non-Guarantor Subsidiary).

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a bank, financial institution, insurance company, trust company, fund management company, asset management company organized under the laws of the PRC, Hong Kong Special Administrative Region, Macau Special Administrative Region or overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

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

CAYMAN ISLANDS

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

Under the laws of the Cayman Islands, payments of interest, principal or premium on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the New Notes. The holder of any New Notes (or a legal personal representative of such holder) whose New Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such New Notes. Certificates evidencing registered New Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands courts.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary in the Cayman Islands in the following form:

“The Tax Concessions Law

Undertaking As To Tax Concessions

In accordance with the Tax Concessions Law the following undertaking is hereby given to:
Zhongliang Holdings Group Company Limited “the Company”

- (a) That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable
 - (i) on or in respect of the shares debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of THIRTY years from the 7th day of November 2018.”

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

BRITISH VIRGIN ISLANDS

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the New Notes or payments the Subsidiary Guarantors or JV Subsidiary Guarantors may make under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the New Notes or in respect of any capital gains arising from the sale of the New Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the New Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- interest on the New Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- interest on the New Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business, unless otherwise exempted;
- interest on the New Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- interest on the New Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the New Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

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 New 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 New 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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the New Notes.” If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the New Notes, and the gain any investor may realize from the transfer of the New Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

Value-added Tax (“VAT”). According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (“Circular 36”), the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Company, which thus shall be regarded as financial services subject to VAT. It is not clear from the interpretation of Circular 36 if the provision of loans to the Company could be consider services provided within the PRC, which thus could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Company will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC because the Company is treated as PRC tax residents. In which case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Company is treated as a PRC tax resident and if PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by Subsidiary Guarantors to the Bondholders is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment. Given that the Company or Subsidiary Guarantors pay interest income to Bondholders who are located outside of the PRC, the Company or Subsidiary Guarantors, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC. Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

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

PLAN OF DISTRIBUTION

Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited and Jinghui Capital Limited, are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated February 2, 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 New Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes
Haitong International Securities Company Limited	US\$10,000,000
The Hongkong and Shanghai Banking Corporation Limited	US\$2,500,000
The Bank of East Asia, Limited	US\$2,500,000
Jinghui Capital Limited	US\$2,500,000
Total	US\$17,500,000

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

The Initial Purchasers propose to resell the New 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 New Notes are offered may be changed at any time without notice.

Jinghui Capital Limited, one of the Initial Purchasers, is a connected person of the Company (as defined under the Listing Rules).

It is expected that only a limited number of investors will hold a substantial majority of the New Notes and as a result, liquidity of trading in the New Notes may be constrained. Certain relatives of our Chairman, who are affiliates and connected persons (as defined under the Listing Rules) of our Company, have participated in the Concurrent Exchange Offer as well as subscribed in this offering, and are expected to be issued approximately 74.19% of the total principal amount of all New Notes to be issued under the Concurrent Exchange Offer and this offering. Neither the Company, the Subsidiary Guarantors nor the Initial Purchasers are under any obligation to disclose the extent of the distribution of the New Notes amongst individual investors.

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

In 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 New Notes by their private bank clients.

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

In connection with the offering of the New Notes, the Initial Purchasers may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the New Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the New Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial 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 New 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 New Notes against payment for the New Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fourth business day following the date of the pricing of the New Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days; purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the New Notes initially will settle in T+4, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes on the date of pricing or the next 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 the Initial Purchasers, which may include transactions relating to our obligations under the New Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

In connection with this offering of the New Notes, each Initial Purchasers and/or their 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 New Notes. Accordingly, references herein to the New Notes being offered should be read as including any offering of the New Notes to the Initial Purchasers and/or their 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 Purchaser 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 Purchasers or their 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 New Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New 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.

European Economic Area

Prohibition of Sales to EEA Retail Investors

The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”).

For 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 New 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 New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation/Prohibition of Sales to United Kingdom Retail Investors

The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”).

For these purposes, a retail investor means a person who is one (or more) of:

- (i) a retail client, as defined in point (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 (the “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 the Insurance Distribution Directive, 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 the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

No invitation or inducement to engage in investment activity (within the meanings of Section 21 of the FSMA) received by the Initial Purchasers in connection with the issue or sale of the New Notes may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to the Initial Purchasers.

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

United States

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

No invitation or inducement to engage in investment activity (within the meanings of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by the Initial Purchasers in connection with the issue or sale of the New Notes may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The New 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 New 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 New 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 New 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 New Notes. Accordingly, the New Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the New Notes may not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that

corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the New Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the New 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 New 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 New Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the New Notes and no such invitation is made hereby. The Initial Purchasers have represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the New Notes.

British Virgin Islands

No invitation will be made directly or indirectly the public in the British Virgin Islands or to any person resident or citizen in the British Virgin Islands to subscribe for any of the New Notes. This offering memorandum does not constitute, and will not be, an offering of the New Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes, including the Subsidiary Guarantees (collectively, the “Securities”).

The New 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 have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THE “SECURITY”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Agents 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.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law, Jingtian & Gongcheng as to matters of PRC Law and Conyers Dill & Pearman as to matters of Cayman Islands law and BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Tian Yuan Law Firm as to matters of PRC law.

INDEPENDENT AUDITOR

The accountant's report on the historical financial information as of and for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 reproduced elsewhere in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their report appearing herein and as reproduced from the Appendix I to the prospectus for our global offering. Our audited consolidated financial statements as of and for the year ended December 31, 2019 included in this offering memorandum had been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their report appearing herein, and in our annual report for the year ended December 31, 2019.

Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 reproduced in this offering memorandum have been reviewed by PricewaterhouseCoopers, Certified Public Accountants. Our historical financial information as of and for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019 have been audited by PricewaterhouseCoopers in accordance with HKSIR 200 issued by the HKICPA, and the consolidated financial statements as of and for the year ended December 31, 2019 has been audited by PricewaterhouseCoopers in accordance with HKSAs issued by the HKICPA, as stated in the accountant's report and annual report reproduced elsewhere in this offering memorandum. The financial information for the six months ended June 30, 2020 has been reviewed by PricewaterhouseCoopers in accordance with HKSRE 2410 issued by the HKICPA.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated January 23, 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 New 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 New Notes.

DOCUMENTS AVAILABLE

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

For so long as any of the New Notes is outstanding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the accountant's report set out in the section entitled "Index to Financial Information" in this offering memorandum, together with the Data Privacy Notice, may be obtained during normal business hours on any weekday (except public holidays) at the principal/registered office of the Company.

CLEARING SYSTEMS AND SETTLEMENT

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

	<u>ISIN</u>	<u>Common Code</u>
Notes	XS2291801269	229180126

LISTING OF THE NEW NOTES

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

INDEX TO FINANCIAL INFORMATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2020

	F-pages	2020 Interim Report ⁽¹⁾
Interim Condensed Consolidated Statement of Financial Position	F-2	23
Interim Condensed Consolidated Statement of Comprehensive Income.....	F-4	25
Interim Condensed Consolidated Statement of Changes in Equity	F-5	26
Interim Condensed Consolidated Statement of Cash Flows.....	F-6	27
Notes to Interim Financial Information	F-7	28

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

	F-pages	2019 Annual Report ⁽²⁾
Independent Auditor's Report.....	F-36	105
Consolidated Statement of Financial Position	F-41	110
Consolidated Statement of Comprehensive Income	F-43	112
Consolidated Statement of Changes in Equity	F-44	113
Consolidated Statement of Cash Flows	F-45	114
Notes to the Consolidated Financial Statements.....	F-46	115

HISTORICAL FINANCIAL INFORMATION AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018 AND THE SIX MONTHS ENDED JUNE 30, 2019 AND STUB PERIOD COMPARATIVE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2018

	F-pages	Accountant's Report ⁽³⁾
Accountant's report on historical financial information	F-144	I-1
Consolidated Statements of Profit or Loss and Other Comprehensive Income	F-148	I-5
Consolidated Statements of Financial Position.....	F-149	I-6
Statement of Financial Position of the Company	F-151	I-8
Consolidated Statements of Changes in Equity	F-152	I-9
Consolidated Statements of Cash Flows	F-155	I-12
Notes to the Historical Financial Information	F-157	I-14

Notes:

- (1) Page references included in the unaudited interim condensed consolidated financial information for the six months ended June 30, 2020 set forth above refer to pages in such unaudited interim condensed consolidated financial information as appeared in our interim report for the six months ended June 30, 2020. The unaudited interim condensed consolidated financial information have not been specifically prepared for inclusion in this offering memorandum.
- (2) Page references included in the audited consolidated financial statements for the year ended December 31, 2019 set forth above refer to pages in such audited consolidated financial statements as appeared in our annual report for the year ended December 31, 2019, as the case may be. The audited financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (3) The attached accountant's report on our historical financial information as of and for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019 is a reproduction of Appendix I to the prospectus for our initial public offering dated November 25, 2019, and page references are references to pages set forth in such prospectus. The accountant's report has not been specifically prepared for the inclusion in this offering memorandum.

Interim Condensed Consolidated Statement of Financial Position

(All amounts in RMB Yuan thousands unless otherwise stated)

	<i>Notes</i>	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	314,223	320,264
Right-of-use assets	13	261,664	260,377
Investment properties	13	188,033	187,703
Intangible assets	13	2,536	2,582
Other receivables and prepayments	16	12,839	12,929
Deferred income tax assets		141,321	126,131
Investment in an associate	12	66,225	29,653
		986,841	939,639
Current assets			
Inventories		1,560	1,645
Contract costs	5	25,835	23,148
Properties under development	14	4,365,094	3,955,015
Completed properties held for sale	15	1,498,668	1,772,134
Trade and other receivables and prepayments	16	652,707	480,736
Prepaid taxes	17	81,984	56,962
Financial assets at fair value through profit or loss		6,400	–
Restricted cash	18	1,032,104	1,019,118
Cash and cash equivalents	19	1,136,050	956,933
Amounts due from related parties	26	7,897	7,759
		8,808,299	8,273,450
Total assets		9,795,140	9,213,089

Interim Condensed Consolidated Statement of Financial Position (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

	<i>Notes</i>	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	14,746	14,746
Other reserves	21	1,757,996	1,765,202
Retained earnings	21	985,452	939,006
		2,758,194	2,718,954
Non-controlling interests		97,644	100,455
Total equity		2,855,838	2,819,409
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		210,664	186,142
Bank and other borrowings	22	1,841,045	1,379,922
Lease liabilities		65,644	62,921
		2,117,353	1,628,985
Current liabilities			
Bank and other borrowings	22	2,247,418	1,923,102
Trade and other payables	23	2,311,458	2,553,385
Lease liabilities		4,421	3,743
Current income tax liabilities		258,652	234,465
Amounts due to related parties	26	–	50,000
		4,821,949	4,764,695
Total liabilities		6,939,302	6,393,680
Total equity and liabilities		9,795,140	9,213,089

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 23 to 56 were approved by the Board of Directors on 20 August 2020 and were signed on its behalf.

CHAN Sze Ming Michael

Director

LIU Huaxi

Director

Interim Condensed Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Six months ended 30 June	
		2020 Unaudited RMB'000	2019 Audited RMB'000
Revenue	5	924,694	762,404
Cost of sales	6	(520,145)	(366,046)
Gross profit		404,549	396,358
Selling and marketing expenses	6	(39,689)	(40,787)
Administrative expenses	6	(62,909)	(71,990)
Net impairment (losses)/reversal on financial assets		(569)	78
Other income		1,590	638
Other expenses		(3,729)	(1,204)
Other (losses)/gains – net	7	(9,131)	61,865
Operating profit		290,112	344,958
Finance costs	8	(15,086)	–
Finance income	8	14,305	452
Finance (costs)/income – net	8	(781)	452
Share of results of a joint venture		–	(158)
Share of results of an associate		39,645	(650)
Profit before income tax		328,976	344,602
Income tax expense	9	(134,881)	(163,427)
Profit for the period		194,095	181,175
Profit attributable to:			
Owners of the Company		196,906	185,003
Non-controlling interests		(2,811)	(3,828)
		194,095	181,175
Other comprehensive loss for the period			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(7,206)	(6,574)
Other comprehensive loss for the period, net of tax		(7,206)	(6,574)
Total comprehensive income for the period		186,889	174,601
Total comprehensive income attributable to:			
Owners of the Company		189,700	178,429
Non-controlling interests		(2,811)	(3,828)
		186,889	174,601
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	10	0.12	0.15

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Six months ended 30 June 2020 (Unaudited)							
Balance at 1 January 2020	14,746	1,765,202	939,006	2,718,954	100,455	2,819,409	
Comprehensive income							
– Profit/(loss) for the period	–	–	196,906	196,906	(2,811)	194,095	
– Other comprehensive loss	–	(7,206)	–	(7,206)	–	(7,206)	
Total comprehensive income/(loss)	–	(7,206)	196,906	189,700	(2,811)	186,889	
Transactions with owners in their capacity as owners:							
Dividends paid	–	–	(150,460)	(150,460)	–	(150,460)	
Total transactions with owners	–	–	(150,460)	(150,460)	–	(150,460)	
Balance at 30 June 2020	14,746	1,757,996	985,452	2,758,194	97,644	2,855,838	
Six months ended 30 June 2019 (Audited)							
Balance at 1 January 2019	–	62,643	486,661	549,304	103,975	653,279	
Comprehensive income							
– Profit/(loss) for the period	–	–	185,003	185,003	(3,828)	181,175	
– Other comprehensive loss	–	(6,574)	–	(6,574)	–	(6,574)	
Total comprehensive income/(loss)	–	(6,574)	185,003	178,429	(3,828)	174,601	
Transactions with owners in their capacity as owners:							
Disposal of a subsidiary	–	–	–	–	54	54	
Capital injections from non-controlling interests	–	–	–	–	3,026	3,026	
Total transactions with owners	–	–	–	–	3,080	3,080	
Balance at 30 June 2019	–	56,069	671,664	727,733	103,227	830,960	

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2020 Unaudited RMB'000	2019 Audited RMB'000
Cash flows from operating activities			
Cash used in operations		(204,819)	(148,279)
Income tax paid		(134,073)	(158,616)
Interest paid		(109,500)	(56,124)
Net cash used in operating activities		(448,392)	(363,019)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		(5,814)	(157,594)
Proceeds from disposal of subsidiaries, net of cash disposed of		–	77,853
Purchases of property, plant and equipment		(2,598)	(4,618)
Proceeds from disposal of property, plant and equipment		39	–
Purchases of intangible assets		(418)	(806)
Net cash (outflow)/inflow from financial assets at fair value through profit or loss		(6,400)	600
Cash advanced to related parties		(13)	–
Cash repayments from related parties		–	891,000
Payments to original shareholder and non-controlling interest of a subsidiary acquired		–	(715,152)
Interest received on financial assets at fair value through profit or loss		2,613	870
Interest received		7,759	452
Net cash (used in)/generated from investing activities		(4,832)	92,605
Cash flows from financing activities			
Proceeds from borrowings		2,297,426	905,968
Repayments of borrowings		(1,511,987)	(406,998)
Advances from related parties		–	271,097
Capital injection from non-controlling interests		–	3,026
Payments for listing related expenses		(2,891)	(1,473)
Increase in restricted cash for securing bank borrowings		(5,569)	(221,451)
Lease payments		(2,667)	(1,352)
Dividends paid to the Company's shareholders		(150,460)	–
Net cash generated from financing activities		623,852	548,817
Net increase in cash and cash equivalents			
Exchange gains on cash and cash equivalents		8,489	74
Cash and cash equivalents at beginning of period		956,933	218,881
Cash and cash equivalents at end of period	19	1,136,050	497,358

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

JY Grandmark Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in property development, property management, hotel operations and commercial property investment in the People’s Republic of China (the “**PRC**”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

The interim financial information has not been audited.

In the first half of 2020, the national property market was affected by the outbreak of COVID-19. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental income, revenue from hotel operations and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the interim condensed consolidated financial information is authorised for issue, COVID-19 doesn’t have any material adverse impact on the financial position and operating result of the Group.

2 Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

(a) New and amended standards and interpretation adopted by the Group

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform
Amendments to HKFRS 16	COVID-19-related rent concessions
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The adoption of new and amended standards and interpretation did not have any material impact on the interim financial information.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(b) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the six months ended 30 June 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	Effective date to be determined
HKFRS 17	Insurance contracts	1 January 2021

The Group's assessment of these new standards and amendments did not identify a significant impact on the Group's financial performance and position.

3 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management department or in any risk management policies since year end.

4.2 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

See Note 13 for disclosures of the investment properties that are measured at fair value.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Financial risk management (continued)

4.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2020 by level of the inputs to valuation techniques used to measure fair value:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2020 (Unaudited)				
Financial assets at fair value through profit or loss – wealth management products	–	–	6,400	6,400
At 31 December 2019 (Audited)				
Financial assets at fair value through profit or loss	–	–	–	–

(a) Financial instruments in level 3

Wealth management products mainly are investments in financial instruments issued by banks, which have no guaranteed returns. They were not past due or impaired as at 30 June 2020.

The fair value of financial assets at fair value through profit or loss in level 3 is estimated by discounted cash flows at rates that reflect management's best estimation of the expected risk level. The significant unobservable inputs of the valuation techniques include expected future cash flow, expected recovery date and discount rates that correspond to the expected risk level.

Financial assets	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	Level 3	Discounted cash flows that are estimated based on expected future cash flows, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow. Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.

There were no transfers between levels during the period. There was no significant financial liabilities measured at fair value as at 30 June 2020 (31 December 2019: nil).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information

(a) Description of segments and principal activities

The executive directors, as the chief operating decision-maker (the “**CODM**”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC, and the Group’s consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2020 is as follows:

	Property development and sales Unaudited RMB'000	Commercial property investment Unaudited RMB'000	Hotel operations Unaudited RMB'000	Property management Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	884,702	–	21,790	8,044	914,536
Recognised at a point in time	884,702	–	–	–	884,702
Recognised over time	–	–	21,790	8,044	29,834
Revenue from other sources: rental income	–	16,834	–	–	16,834
Inter-segment revenue	–	(5,874)	(410)	(392)	(6,676)
Revenue from external customers	884,702	10,960	21,380	7,652	924,694
Gross profit	401,036	9,683	(5,342)	(828)	404,549
Selling and marketing expenses					(39,689)
Administrative expenses					(62,909)
Net impairment losses on financial assets					(569)
Other income					1,590
Other expenses					(3,729)
Other losses – net					(9,131)
Finance costs – net					(781)
Share of results of an associate (Note 12)	39,645	–	–	–	39,645
Profit before income tax					328,976
Income tax expense					(134,881)
Profit for the period					194,095
Depreciation and amortisation	6,341	–	7,391	61	13,793
Fair value gains on investment properties – net (Note 13)	–	330	–	–	330

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2019 is as follows:

	Property development and sales	Commercial property investment	Hotel operations	Property management	Total
	Audited RMB'000	Audited RMB'000	Audited RMB'000	Audited RMB'000	Audited RMB'000
Segment revenue	712,535	–	37,077	5,592	755,204
Recognised at a point in time	712,535	–	–	–	712,535
Recognised over time	–	–	37,077	5,592	42,669
Revenue from other sources:					
rental income	–	11,789	–	–	11,789
Inter-segment revenue	–	(4,071)	(518)	–	(4,589)
Revenue from external customers	712,535	7,718	36,559	5,592	762,404
Gross profit	390,252	7,262	200	(1,356)	396,358
Selling and marketing expenses					(40,787)
Administrative expenses					(71,990)
Net impairment reversal on financial assets					78
Other income					638
Other expenses					(1,204)
Other gains – net					61,865
Finance income – net					452
Share of results of a joint venture	(158)	–	–	–	(158)
Share of results of an associate (Note 12)	(650)	–	–	–	(650)
Profit before income tax					344,602
Income tax expense					(163,427)
Profit for the period					181,175
Depreciation and amortisation	6,176	–	7,881	19	14,076
Fair value gains on investment properties – net (Note 13)	–	1,298	–	–	1,298

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment assets and liabilities provided to the executive directors for the reportable segments as at 30 June 2020 is as follows:

	Property development and sales Unaudited RMB'000	Commercial property investment Unaudited RMB'000	Hotel operations Unaudited RMB'000	Property management Unaudited RMB'000	Total Unaudited RMB'000
Segment assets	9,151,345	206,239	286,614	3,221	9,647,419
Segment assets include:					
Investment in an associate (<i>Note 12</i>)	66,225	–	–	–	66,225
Addition to non-current assets (other than financial instruments and deferred income tax assets)	8,551	–	441	37	9,029
Segment liabilities	2,350,642	7,258	15,328	8,295	2,381,523

The segment assets and liabilities provided to the executive directors for the reportable segments as at 31 December 2019 is as follows:

	Property development and sales Audited RMB'000	Commercial property investment Audited RMB'000	Hotel operations Audited RMB'000	Property management Audited RMB'000	Total Audited RMB'000
Segment assets	8,538,314	198,298	348,250	2,096	9,086,958
Segment assets include:					
Investment in an associate (<i>Note 12</i>)	29,653	–	–	–	29,653
Addition to non-current assets (other than financial instruments and deferred income tax assets)	17,299	–	662	129	18,090
Segment liabilities	2,637,528	3,196	18,907	10,418	2,670,049

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

(i) Segment assets

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and financial assets at fair value through profit or loss are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Segment assets	9,647,419	9,086,958
Unallocated:		
– Deferred income tax assets	141,321	126,131
– Financial assets at fair value through profit or loss	6,400	–
Total assets	9,795,140	9,213,089

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's current and deferred income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Segment liabilities	2,381,523	2,670,049
Unallocated:		
– Current income tax liabilities	258,652	234,465
– Deferred income tax liabilities	210,664	186,142
– Short-term borrowings and current portion of long-term borrowings	2,247,418	1,923,102
– Long-term borrowings	1,841,045	1,379,922
Total liabilities	6,939,302	6,393,680

(c) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets related to contracts with customers:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Sale commissions	25,835	23,148

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the six months ended 30 June 2020, the amount of amortisation was RMB20,624,000 (six months ended 30 June 2019: RMB18,265,000). There was no impairment loss in relation to the costs capitalised.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers (continued)

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Contract liabilities related to sales of properties	1,039,692	1,109,683
Contract liabilities related to others	5,477	6,080
	1,045,169	1,115,763

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(iii) The following table shows how much of the revenue recognised for the six months ended 30 June 2020 related to carried-forward contract liabilities:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Sales of properties	591,505	607,110
Others	6,080	6,865
	597,585	613,975

(iv) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 30 June 2020 and 31 December 2019.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

6 Expenses by nature

Expenses by nature included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	469,592	304,957
Employee benefit expenses (including directors' emoluments)	58,727	67,665
Employee benefit expenditure – including directors' emoluments	67,095	77,863
Less: capitalised in properties under development	(8,368)	(10,198)
Commission fees	20,624	18,265
Hotel operations expenses	12,178	15,702
Taxes and other levies	8,750	9,098
Advertising costs	11,063	15,754
Entertainment expenses	8,906	7,523
Depreciation and amortisation of intangible assets and right-of-use assets	13,793	14,076
Listing expenses	–	10,602
Office and travelling expenses	3,252	4,691
Auditor's remuneration	900	195
Property management fees	2,512	2,656
Professional consulting fees	3,008	548
Others	9,438	7,091
Total	622,743	478,823

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

7 Other (losses)/gains – net

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
Interest on financial assets at fair value through profit or loss	2,613	870
Gains/(losses) on disposals of property, plant and equipment	1	(9)
Fair value gains on investment properties (Note 13)	330	1,298
Gains on disposal of a subsidiary	–	59,706
Net foreign exchange losses	(12,075)	–
	(9,131)	61,865

8 Finance costs/(income) – net

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
Finance costs		
– Interest expense on bank and other borrowings	126,956	56,489
– Interest expense on leases	1,600	1,473
Net exchange gains on foreign currency borrowings	(835)	–
Less:		
– Interest capitalised	(112,635)	(57,962)
	15,086	–
Finance income		
– Interest income from bank deposits	(14,305)	(452)
Finance costs/(income) – net	781	(452)

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

9 Income tax expense

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
Current income tax:		
– Corporate income tax	62,094	90,859
– Land appreciation tax	63,455	93,102
	125,549	183,961
Deferred income tax:		
– Corporate income tax	10,398	(19,752)
– Land appreciation tax	(1,066)	(782)
	9,332	(20,534)
	134,881	163,427

(a) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

(b) PRC land appreciation tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, 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 appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

9 Income tax expense (continued)

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10 Earnings per share

In determining the weighted average number of ordinary shares in issue during six months ended 30 June 2020 and 2019, the ordinary shares issued upon the incorporation of the Company (3 ordinary shares), the ordinary shares issued to capitalisation of loan due to ultimate controlling shareholder on 12 November 2019 (1 ordinary share) and the capitalisation issue to Sze Ming Limited on 13 November 2019 (1,199,999,996 ordinary shares), were deemed to be issued on 1 January 2019 as if the Company had been incorporated by then.

	Six months ended 30 June	
	2020 Unaudited	2019 Audited
Profit attribute to owners of the Company (RMB'000)	196,906	185,003
Weighted average number of ordinary shares in issue (in thousand)	1,646,173	1,200,000
Earnings per share – basic (RMB per share)	0.12	0.15
Earnings per share – diluted (RMB per share)	0.12	0.15

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

11 Dividend

The 2019 final dividend amounting to RMB150,460,000 (equivalent to HK Dollar (HK\$)163,630,000) was approved by the Company's shareholders at the annual general meeting of the Company held on 28 May 2020 and was subsequently distributed in June 2020.

The board of directors of the Company declared payment of an interim dividend of RMB3.59 cents per share (equivalent to HK\$4.01 cents per share) for the six months ended 30 June 2020 (six months ended 30 June 2019: nil). This interim dividend has not been recognised as liabilities in this interim financial information.

12 Investment in an associate

The movement of investment in an associate is as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Opening balances	29,653	35,326
Share of results	39,645	(1,387)
Elimination of unrealised profits	(3,073)	(4,286)
Ending balances	66,225	29,653

(a) Nature of investment in an associate as at 30 June 2020:

Name of entity	Place of business/country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 30 June 2020	As at 31 December 2019	
Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. (the "Donghuzhou") 廣州市南沙東洲房地產有限公司	PRC	Property development	30%	30%	Equity

(b) As at 30 June 2020 and 31 December 2019, there were no significant contingencies relating to the Group's interests in the associate.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

13 Property, plant and equipment, right-of-use assets, investment properties and intangible assets

	Property, plant and equipment RMB'000	Right-of- use assets RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2020 (Unaudited)				
Opening net book amount as at 1 January 2020	320,264	260,377	187,703	2,582
Additions	2,598	6,013	–	418
Disposals	(38)	–	–	–
Depreciation/amortisation charges	(8,632)	(4,773)	–	(464)
Fair value changes	–	–	330	–
Exchange difference	31	47	–	–
Closing net book amount as at 30 June 2020	314,223	261,664	188,033	2,536
Six months ended 30 June 2019 (Audited)				
Opening net book amount as at 1 January 2019	330,837	262,703	184,275	1,854
Additions	4,618	195	–	806
Disposals	(9)	–	–	–
Depreciation/amortisation charges	(9,250)	(4,653)	–	(286)
Fair value changes	–	–	1,298	–
Exchange difference	10	(30)	–	–
Closing net book amount as at 30 June 2019	326,206	258,215	185,573	2,374

- (a) As at 30 June 2020, property, plant and equipment with net book amounts totalling RMB293,982,000 (31 December 2019: RMB300,091,000), right-of-use assets of RMB13,594,000 (31 December 2019: RMB13,865,000) and investment properties of RMB188,033,000 (31 December 2019: RMB187,703,000) were pledged as collateral for the Group's bank and other borrowings (Note 22).
- (b) As at 30 June 2020, property, plant and equipment mainly comprised of hotels of RMB266,993,000 (31 December 2019: RMB272,752,000) which are located in the PRC.
- (c) As at 30 June 2020 and 31 December 2019, right-of-use assets mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

13 Property, plant and equipment, right-of-use assets, investment properties and intangible assets (continued)

- (d) As at 30 June 2020 and 31 December 2019, investment properties mainly comprise three retail properties. There were no changes to the valuation techniques for the six months ended 30 June 2020.

	Property category	Fair value at 30 June 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	188,033,000	Term and reversionary method	Market price (RMB/square metre)	114-227	The higher the market price, the higher the fair value
				Term yields	4.00%-4.50%	The higher the term yields, the lower the fair value

	Property category	Fair value at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	187,703,000	Term and reversionary method	Market price (RMB/square metre)	114-227	The higher the market price, the higher the fair value
				Term yields	4.00%-4.50%	The higher the term yields, the lower the fair value

14 Properties under development

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Properties under development expected to be completed:		
– Land use rights	2,706,225	2,595,003
– Contractual rights of land (Note (a))	256,732	256,732
– Construction costs	1,163,800	963,761
– Interests capitalised	238,337	139,519
	4,365,094	3,955,015

- (a) Contractual rights of land mainly represents the construction land acquired from the collective economic organisations in 2017, which will be transferred to land use rights in near future.
- (b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.
- (c) The capitalisation rate of borrowings for the six months ended 30 June 2020 is 5.87% (six months ended June 2019: 7.45%).
- (d) As at 30 June 2020, properties under development with net book value of RMB1,390,752,000 (31 December 2019: RMB1,016,776,000), were pledged as collateral for the Group's bank and other borrowings (Note 22).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Completed properties held for sale

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	108,314	128,967
Construction costs	528,177	758,061
Interest capitalised	46,076	54,763
	682,567	941,791
Completed properties held for sale acquired	816,101	830,343
	1,498,668	1,772,134

The completed properties held for sale are all located in the PRC.

As at 30 June 2020, completed properties held for sale with net book value of RMB996,734,000 (31 December 2019: RMB1,095,440,000), were pledged as collateral for the Group's bank and other borrowings (Note 22).

16 Trade and other receivables and prepayments

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Included in current assets:		
Trade receivables – third parties (<i>Note (a)</i>)	16,130	7,552
Other receivables – third parties (<i>Note (b)</i>)	166,860	319,697
Prepayments for acquisition of land use rights (<i>Note (c)</i>)	451,854	132,854
Other prepayments (<i>Note (d)</i>)	32,154	34,445
	666,998	494,548
Less: non-current portion	(12,839)	(12,929)
Less: impairment	(1,452)	(883)
	652,707	480,736

As at 30 June 2020 and 31 December 2019, the fair value of trade and other receivables approximated their carrying amounts.

As at 30 June 2020, trade receivables with net book value of RMB1,134,000 (31 December 2019: RMB1,190,000) were pledged as collateral for the Group's bank and other borrowings (Note 22).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Trade and other receivables and prepayments (continued)

(a) Details of trade receivables are as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Trade receivables – third parties	16,130	7,552
Less: allowance for impairment	–	–
Trade receivables – net	16,130	7,552

Aging analysis of trade receivables based on invoice date is as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Within one year	16,130	7,552

Trade receivables mainly arise from rental income, sales of properties and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group's trade receivables are denominated in RMB.

(b) Details of other receivables are as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Deposits for acquisition of land use rights	112,839	275,419
Others	54,021	44,278
	166,860	319,697
Less: allowance for impairment	(1,452)	(883)
Other receivables – net	165,408	318,814

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Trade and other receivables and prepayments (continued)

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Prepayments for property development projects	14,164	12,668
Prepaid taxes and other levies	4,377	4,274
Others	13,613	17,503
Other prepayments	32,154	34,445

17 Prepaid taxes

Details of prepaid taxes are as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Corporate income taxes	47,821	15,626
Land appreciation taxes	10,850	10,334
Value added taxes	23,313	31,002
	81,984	56,962

18 Restricted cash

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Guarantee deposits for construction of pre-sold properties (<i>Note (a)</i>)	94,174	87,171
Guarantee deposits for borrowings (<i>Note (b)</i>)	936,127	930,558
Others	1,803	1,389
	1,032,104	1,019,118

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Restricted cash (continued)

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

As at 30 June 2020, the Group had placed cash deposits of approximately RMB936,127,000 (31 December 2019: RMB930,558,000) with designated banks as security for bank borrowings (Note 22).

19 Cash and cash equivalents

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Cash at bank and in hand	2,168,154	1,976,051
Less: restricted cash	(1,032,104)	(1,019,118)
Cash and cash equivalents	1,136,050	956,933

Cash and cash equivalents are denominated in the following currencies:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Denominated in RMB	1,065,786	306,878
Denominated in HK\$	41,066	612,592
Denominated in US\$	29,198	37,463
	1,136,050	956,933

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
As at 30 June 2020 (Unaudited)	2,500,000,000			
Issued and fully paid				
Six months ended 30 June 2020 (Unaudited)				
As at 1 January 2020 and 30 June 2020	1,646,173,000	HK\$16,462,000	RMB14,746,000	RMB14,746,000
Six months ended 30 June 2019 (Audited)				
As at 1 January 2019 and 30 June 2019	3	HK\$0.03	RMB0.03	RMB0.03

21 Other reserves and retained earnings

	Combined reserves RMB'000	Statutory reserve RMB'000	Exchange difference RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)						
Balance at 1 January 2020	1,726,596	100,189	(61,583)	1,765,202	939,006	2,704,208
Profit for the period	-	-	-	-	196,906	196,906
Dividends paid	-	-	-	-	(150,460)	(150,460)
Other comprehensive loss	-	-	(7,206)	(7,206)	-	(7,206)
Balance at 30 June 2020	1,726,596	100,189	(68,789)	1,757,996	985,452	2,743,448
Six months ended 30 June 2019 (Audited)						
Balance at 1 January 2019	43,810	51,017	(32,184)	62,643	486,661	549,304
Profit for the period	-	-	-	-	185,003	185,003
Other comprehensive loss	-	-	(6,574)	(6,574)	-	(6,574)
Balance at 30 June 2019	43,810	51,017	(38,758)	56,069	671,664	727,733

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Bank and other borrowings

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Bank borrowings	3,035,453	3,096,995
Senior notes (<i>Note (a)</i>)	1,053,010	–
Loans from a third party	–	206,029
	4,088,463	3,303,024
Included in non-current liabilities:		
– Secured (<i>Note (c) & (d)</i>)	2,577,620	1,595,888
Less: current portion of non-current liabilities	(736,575)	(215,966)
	1,841,045	1,379,922
Included in current liabilities:		
– Secured (<i>Note (c) & (d)</i>)	311,683	703,862
– Unsecured (<i>Note (d)</i>)	1,199,160	1,003,274
Add: Current portion of non-current liabilities	736,575	215,966
	2,247,418	1,923,102
Total borrowings	4,088,463	3,303,024

- (a) The Company issued senior notes in an aggregate principal amount of US\$150,000,000 in Hong Kong on 10 March 2020 (the “**2020 Note**”). The interest rate of the 2020 Note is fixed at 7.5% per annum. The 2020 Note will mature on 9 March 2021, and are puttable for early redemption at the principal amount at any time prior to 9 March 2021. The 2020 Note were listed on the Stock Exchange on 11 March 2020.

The net proceeds, after deducting the issuance costs, amounted to US\$148,395,000 (equivalent to approximately RMB1,029,715,000).

The above senior notes are guaranteed by certain subsidiaries of the Group.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Bank and other borrowings (continued)

(b) As at 30 June 2020, the Group's borrowings are denominated in following currencies:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
RMB	2,523,926	1,807,071
HK\$	511,527	1,495,953
US\$	1,053,010	–
	4,088,463	3,303,024

(c) As at 30 June 2020, bank and other borrowings totalling RMB2,889,303,000 (31 December 2019: RMB2,299,750,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Lands	13,594	13,865
Property, plant and equipment	293,982	300,091
Investment properties	188,033	187,703
Properties under development	1,390,752	1,016,776
Completed properties held for sale	996,734	1,095,440
Trade receivables	1,134	1,190
Restricted cash	936,127	930,558
	3,820,356	3,545,623

(d) The Group's unsecured borrowings of RMB1,199,160,000 (31 December 2019: RMB555,384,000) as at 30 June 2020 were guaranteed by certain subsidiaries.

The Group's secured borrowings of RMB2,508,626,000 (31 December 2019: RMB2,226,150,000) as at 30 June 2020 were guaranteed by the Company, certain subsidiaries and the ultimate controlling shareholder.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Bank and other borrowings (continued)

(e) The annual weighted average effective interest rates were as follows:

	Six months ended 30 June	
	2020 Unaudited	2019 Audited
Bank borrowings	6.01%	7.45%
Senior notes	8.48%	–

(f) The carrying amounts of the borrowings approximate their fair values as at 30 June 2020 and 31 December 2019 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

23 Trade and other payables

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Trade payables (Note (a))	737,938	888,864
Notes payable	156,901	156,369
Amounts due to non-controlling interests	63,483	62,123
Outstanding consideration payables for acquisitions (Note (b))	46,995	52,809
Contract liabilities (Note 5)	1,045,169	1,115,763
Deposits payables (Note (c))	59,762	54,243
Accrued expenses	18,708	37,240
Salaries payable	20,489	52,944
Other taxes payable	95,405	76,286
Interest payable	25,338	6,282
Other payables (Note (d))	41,270	50,462
	2,311,458	2,553,385

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

23 Trade and other payables (continued)

(a) Aging analysis of the trade payables based on invoice dates is as follows:

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Within one year	654,391	788,893
Over one year	83,547	99,971
	737,938	888,864

The Group's trade payables as at 30 June 2020 is denominated in RMB, US\$ and HK\$.

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
RMB	734,036	884,962
US\$	2,192	2,192
HK\$	1,710	1,710
	737,938	888,864

- (b) The amounts mainly comprise the consideration payables for the acquisitions, which are repayable according to the terms and conditions agreed with the original shareholders.
- (c) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (d) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

24 Guarantee

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	1,209,025	1,075,944
Guarantees for borrowings of an associate (<i>Note (b)</i>)	133,000	–
	1,342,025	1,075,944

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) As at 30 June 2020, the Group had provided guarantees for borrowing of the Group's associate amounting to RMB133,000,000 (31 December 2019: nil).

25 Commitments

Commitments for property development expenditure:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Contracted but not provided for: Property development activities	2,017,821	1,896,976

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Related party transactions

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Donghuzhou 廣州市南沙東湖洲房地產有限公司	Associate of the Group

(b) Transactions with related parties

The ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who own 72.9% of the Company's shares.

The Group had the following transactions with related parties for the six months ended 30 June 2020:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
(i) Provision of guarantee in respect of borrowings outstanding – ultimate controlling shareholder	445,000	543,067
(ii) Rendering of property management services – Donghuzhou	481	324
(iii) Rendering of management consultancy services – Donghuzhou	1,754	11,950
(iv) Rendering of property fitting out work – Donghuzhou	45,872	–
(v) Providing guarantees for borrowings – Donghuzhou	133,000	–

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Related party transactions (continued)

(c) Balances with related parties

	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
Amounts due from an associate		
Trade balances		
– Donghuzhou	1,859	1,734
Non-trade balances		
– Donghuzhou	6,038	6,025
Amounts due to an associate		
Trade balance		
– Donghuzhou	–	50,000

Amounts due to/from related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

(d) Key management compensation

Key management compensation for the six months ended 30 June 2020 and 2019 are set out below:

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Audited RMB'000
Key management compensation		
– Salaries and other employee benefits	6,510	10,397
– Pension costs	5	50
	6,515	10,447

Independent Auditor's Report



To the Shareholders of JY Grandmark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of JY Grandmark Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 110 to 209, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Independent Auditor's Report (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter identified in our audit is summarised as follows:

- Assessment of net realisable value ("**NRV**") of properties under development ("**PUD**") and completed properties held for sale ("**PHS**")

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of NRV of PUD and PHS</p> <p>Refer to notes 4(a), 22 and 23 to the consolidated financial statements.</p> <p>PUD and PHS amounted to RMB3,955,015,000 and RMB1,772,134,000 respectively as at 31 December 2019, which in aggregate accounted for 62% of the Group's total assets. PUD and PHS are stated at the lower of cost and NRV. NRV is determined by referencing to the estimated selling price based on prevailing market conditions less estimated costs to completion of PUD and variable selling expenses.</p> <p>No NRV provision was made for PUD and PHS based on management's assessment as at 31 December 2019. We focused on NRV assessment because PUD and PHS are major assets of the Group and the determination of NRV involved significant estimates on the selling prices, variable selling expenses and estimated costs to completion of PUD.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <p>(i) We understood, evaluated and validated management's key internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion of PUD;</p> <p>(ii) We selected, on a sample basis, PUD and PHS projects and challenged management's estimates when determining the NRV of PUD and PHS by:</p> <ul style="list-style-type: none">• Comparing the estimated selling price to the most recent selling price for the PUD and PHS or the prevailing market price of the similar type of properties in the similar locations;• Comparing the ratio of estimated variable selling expenses to the selling price with the Group's historical ratio to assess whether the estimated variable selling expenses were within a reasonable range;• Assessing the Group's estimates of the anticipated costs to completion for PUD by reconciling the actual costs incurred to approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar locations. <p>We found that management's estimates used in the assessment of NRV of PUD and PHS are properly supported by available evidences.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and Those Charged with Governance 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 HKFRSs issued by the HKICPA 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

Consolidated Statement of Financial Position

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	320,264	330,837
Right-of-use assets	19	260,377	262,703
Investment properties	20	187,703	184,275
Intangible assets	21	2,582	1,854
Other receivables and prepayments	24	12,929	12,969
Deferred income tax assets	15	126,131	128,899
Investment in a joint venture	16	–	20,559
Investment in an associate	17	29,653	35,326
		939,639	977,422
Current assets			
Inventories		1,645	1,816
Contract costs	5	23,148	47,745
Properties under development	22	3,955,015	3,221,273
Completed properties held for sale	23	1,772,134	535,301
Trade and other receivables and prepayments	24	480,736	218,283
Prepaid taxes	25	56,962	147,602
Financial assets at fair value through profit or loss		–	600
Restricted cash	26	1,019,118	264,546
Cash and cash equivalents	27	956,933	218,881
Amounts due from related parties	36	7,759	980,702
		8,273,450	5,636,749
Total assets		9,213,089	6,614,171

Consolidated Statement of Financial Position (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

	<i>Notes</i>	As at 31 December	
		2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	14,746	–
Other reserves	29	1,765,202	62,643
Retained earnings	29	939,006	486,661
		2,718,954	549,304
Non-controlling interests		100,455	103,975
Total equity		2,819,409	653,279
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	186,142	37,082
Bank and other borrowings	30	1,379,922	318,656
Lease liabilities	35	62,921	57,853
		1,628,985	413,591
Current liabilities			
Bank and other borrowings	30	1,923,102	439,436
Trade and other payables	31	2,553,385	3,900,146
Lease liabilities	35	3,743	2,120
Current income tax liabilities		234,465	85,466
Amounts due to related parties	36	50,000	1,120,133
		4,764,695	5,547,301
Total liabilities		6,393,680	5,960,892
Total equity and liabilities		9,213,089	6,614,171

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

The financial statements on pages 110 to 209 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

CHAN Sze Ming Michael
Director

LIU Huaxi
Director

Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	5	2,402,810	1,328,887
Cost of sales	6	(1,258,578)	(816,297)
Gross profit		1,144,232	512,590
Selling and marketing expenses	6	(131,046)	(74,225)
Administrative expenses	6	(162,938)	(124,598)
Net impairment losses on financial assets	3.1.2	(236)	(170)
Other income	7	3,731	1,276
Other expenses	8	(3,098)	(2,759)
Other gains – net	9	61,021	230,570
Operating profit		911,666	542,684
Finance costs	11	(14,219)	–
Finance income	11	15,605	649
Finance income – net	11	1,386	649
Share of results of a joint venture	16	(158)	(2,781)
Share of results of an associate	17	(1,387)	(1,282)
Profit before income tax		911,507	539,270
Income tax expense	12	(416,590)	(157,511)
Profit for the year		494,917	381,759
Profit attributable to:			
Owners of the Company		501,517	386,486
Non-controlling interests		(6,600)	(4,727)
		494,917	381,759
Other comprehensive loss for the year			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(29,399)	(24,550)
Other comprehensive loss for the year, net of tax		(29,399)	(24,550)
Total comprehensive income for the year		465,518	357,209
Total comprehensive income attributable to:			
Owners of the Company		472,118	361,936
Non-controlling interests		(6,600)	(4,727)
		465,518	357,209
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	0.41	0.32

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling Interests RMB'000	Total RMB'000
Balance at 1 January 2018	–	74,857	119,001	193,858	172,393	366,251
Comprehensive income						
– Profit/(loss) for the year	–	–	386,486	386,486	(4,727)	381,759
– Other comprehensive loss	–	(24,550)	–	(24,550)	–	(24,550)
Total comprehensive income/(loss)	–	(24,550)	386,486	361,936	(4,727)	357,209
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	18,826	(18,826)	–	–	–
Disposal of subsidiaries	–	–	–	–	(69,096)	(69,096)
Capital injections from non-controlling interests	–	–	–	–	4,405	4,405
Capital injections from ultimate controlling shareholder	–	9,800	–	9,800	–	9,800
Deemed distributions to ultimate controlling shareholder	–	(60,100)	–	(60,100)	–	(60,100)
Capitalisation of loan due to ultimate controlling shareholder	–	43,810	–	43,810	–	43,810
Acquisition of a subsidiary	–	–	–	–	1,000	1,000
Total transactions with owners	–	12,336	(18,826)	(6,490)	(63,691)	(70,181)
Balance at 31 December 2018	–	62,643	486,661	549,304	103,975	653,279
Balance at 1 January 2019	–	62,643	486,661	549,304	103,975	653,279
Comprehensive income						
– Profit/(loss) for the year	–	–	501,517	501,517	(6,600)	494,917
– Other comprehensive loss	–	(29,399)	–	(29,399)	–	(29,399)
Total comprehensive income/(loss)	–	(29,399)	501,517	472,118	(6,600)	465,518
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	49,172	(49,172)	–	–	–
Capitalisation of loan due to ultimate controlling shareholder (Note 29(a))	–	461,995	–	461,995	–	461,995
Issue of shares in connection with the capitalisation issue (Note 29(b))	10,749	(10,749)	–	–	–	–
Issue of shares in connection with the Company's listing (Note 29(b))	3,997	1,258,969	–	1,262,966	–	1,262,966
Share issuance costs	–	(27,429)	–	(27,429)	–	(27,429)
Disposal of a subsidiary	–	–	–	–	54	54
Capital injections from non-controlling interests	–	–	–	–	3,026	3,026
Total transactions with owners	14,746	1,731,958	(49,172)	1,697,532	3,080	1,700,612
Balance at 31 December 2019	14,746	1,765,202	939,006	2,718,954	100,455	2,819,409

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32(a)	(1,111,140)	42,848
Income tax paid		(207,326)	(189,660)
Interest paid		(129,394)	(63,003)
Net cash used in operating activities		(1,447,860)	(209,815)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		(162,343)	(86,583)
Proceeds from disposal of subsidiaries, net of cash disposed of	38	77,853	635,200
Purchases of property, plant and equipment		(7,859)	(8,947)
Proceeds from disposal of property, plant and equipment and intangible assets		465	243
Purchases of intangible assets		(1,833)	(1,096)
Net cash inflow from financial assets at fair value through profit or loss		600	37,200
Investment in an associate		–	(24,500)
Investment in a joint venture		–	(23,340)
Cash advanced to related parties		–	(287,241)
Cash repayments from related parties		936,844	–
Payments to original shareholder and non-controlling interest of a subsidiary acquired	31(b)	(715,152)	–
Interest received on financial assets at fair value through profit or loss		1,832	9,123
Interest received		5,953	649
Net cash generated from investing activities		136,360	250,708
Cash flows from financing activities			
Proceeds from borrowings	32(c)	3,275,599	262,502
Repayments of borrowings	32(c)	(1,141,607)	(690,735)
Advances from related parties		–	566,077
Repayments of related parties		(615,735)	–
Deemed distributions to ultimate controlling shareholder		–	(60,100)
Capital injection from non-controlling interests		3,026	4,405
Capital injection from ultimate controlling shareholder		–	9,800
Proceeds from the Company's listing	28&29	1,262,966	–
Payments for listing related expenses		(22,606)	(1,932)
Increase in restricted cash for securing bank borrowings		(721,997)	(208,561)
Lease payments	32(c)	(1,738)	(9,327)
Net cash generated from/(used in) financing activities		2,037,908	(127,871)
Net increase/(decrease) in cash and cash equivalents			
Exchange gains on cash and cash equivalents		11,644	8,197
Cash and cash equivalents at beginning of year		218,881	297,662
Cash and cash equivalents at end of year	27	956,933	218,881

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

The Company was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in property development, property management, hotel operations and commercial property investment in the People's Republic of China (the "**PRC**").

The Company has been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards, amended standards and interpretation adopted by the Group

HKFRS 16	Leases
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

HKFRS 16 "Leases" is effective for annual beginning on or after 1 January 2019 and early adopted by the Group since year ended 31 December 2016. Other than HKFRS 16, the rest of the new and amended standards are not early adopted by the group and did not have a material impact.

(d) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	Effective date to be determined
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group's assessment of these new standards and amendments did not identify a significant impact on the Group's financial performance and position.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combination*

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investment in subsidiaries is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depend on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognise the amount adjacent to "share of results of a joint venture" in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within ‘finance income – net’. All other foreign exchange gains and losses are presented in profit or loss on a net basis within ‘Other gains – net’.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-70 years
Vehicles and machinery	3-5 years
Others	3-10 years

Buildings mainly comprise office buildings and hotel buildings.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of lands during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.8 Intangible assets

Intangible assets mainly comprised of computer software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 Investment properties

Investment properties, principally comprising retail properties, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each statement of financial position date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Other gains-net' in the consolidated statement of comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by a change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life – for example, goodwill or construction license – are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2.11 Inventories

Inventories mainly comprise of hotel goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costs method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.12 Properties under development and completed properties held for sale

2.12.1 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12.2 Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets

2.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.13.3 Measurement

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

2.13.3 Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost is measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other gains – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

2.15 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.17 Land use rights under properties under development and completed properties held for sale

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are included in properties under development or completed properties held for sale.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables and prepayments is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 24 for further information about the Group's accounting for trade and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract costs if the Group expects to recover these costs.

2.20 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payable are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.24 Borrowing costs (continued)

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

(b) Housing funds, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Mandatory Provident Fund Scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

2.27 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) 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:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts 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.

In determine 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 contracts 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.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(b) Hotel operations

Revenue from hotel operations is recognised in the accounting period in which the services are rendered.

(c) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(d) Property management

Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered.

(e) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.29 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.30 Leases

The Group leases various lands, buildings and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.30 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment below US Dollar (“**US\$**”) 5,000.

(a) Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liabilities, but they are recognised in the consolidated statements of comprehensive income when the event or condition that triggers those payments occurs.

(b) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(c) Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liabilities. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.31 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised by the Company's shareholders and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.32 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees 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 associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.33 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.34 Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

3.1.1 Market risk

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2019 and 2018, major non-RMB assets and liabilities are cash and cash equivalent, restricted cash, trade and other receivables and prepayments, amounts due from related parties, trade and other payables, amounts due to related parties and borrowings, which are denominated in HK Dollar ("HK\$") or US\$. Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective dates of consolidated statements of financial position are as follows:

Financial assets	As at 31 December	
	2019 RMB'000	2018 RMB'000
HK\$	1,378,427	97,656
US\$	475,342	211,209
	1,853,769	308,865

Financial liabilities	As at 31 December	
	2019 RMB'000	2018 RMB'000
HK\$	1,516,425	1,151,984
US\$	2,192	–
	1,518,617	1,151,984

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effects of total comprehensive income for the periods are as follows:

	Change of total comprehensive income increase/(decrease) As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB against HK\$:		
Strengthened by 5%	5,175	39,537
Weakened by 5%	(5,175)	(39,537)

	Change of total comprehensive income increase/(decrease) As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB against US\$:		
Strengthened by 5%	(17,743)	(7,920)
Weakened by 5%	17,743	7,920

The aggregate net foreign exchange losses recognised in profit or loss were RMB4,144,000 (2018: nil).

(b) Cash flow and fair value interest rate risks

The Group's main interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at floating rates. During 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in RMB and HK\$.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

As at 31 December 2019, bank and other borrowings of the Group bearing floating interest rates amounted to approximately RMB2,851,941,000 (2018: RMB558,092,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) Cash flow and fair value interest rate risks (continued)

The table below summarises the impact of changes in interest rate as at 31 December 2019 with all other variables held at constant on the Group's post-tax profit for the year:

	Increase/(Decrease) in post-tax profit for the year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest rate of bank and other borrowings at variable rates – increase 0.5% (2018: 0.5%)	10,695	2,093
Interest rate of bank and other borrowings at variable rates – decrease 0.5% (2018: 0.5%)	(10,695)	(2,093)

3.1.2 Credit risk

The Group has no concentrations on credit risk. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheets.

Cash transactions are limited to high credit quality institutions. Deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 33. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For the trade receivables arising from hotel operating and commercial property, due to the aging of receivables is totally under 90 days, and no bad debt is found in history, the Group considers that the credit risk is immaterial.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were not material for the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Management has closely monitored the credit qualities and the collectability of trade receivables and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero. No loss allowance provision is made for trade receivables for the year ended 31 December 2019 (2018: nil).

(b) Other receivables and amounts due from related parties

Other financial assets at amortised cost include other receivables from third parties and amounts due from related parties.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting dates, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

The loss allowance provision for other receivables from third parties as at 31 December 2019 reconcile to the opening loss allowance for that provision as follows:

	Other receivables	
	2019 RMB'000	2018 RMB'000
Opening loss allowance as at 1 January	647	477
Increase in loss allowance recognised in profit or loss during the year	236	170
Closing loss allowance as at 31 December	883	647

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) *Other receivables and amounts due from related parties (continued)*

For the years ended 31 December 2019 and 2018, the provision for loss allowance were recognised in profit or loss in “net impairment losses on financial assets” in relation to the impaired other receivables.

For the year ended 31 December 2019, the average expected loss rate on the gross carrying amount of other receivables excluding deposits for acquisitions of land use rights and property development projects was 2% (2018: 2%). Expected loss of deposits for acquisitions of land use rights and property development projects was not material during the years ended 31 December 2019 and 2018 as there was no recent history of default and management considered the credit risk is low.

As at 31 December 2019 and 2018, the maximum exposure to loss of other receivables from third parties and related parties were the carrying amounts.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholder and related parties. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

The table below sets out the Group's financial liabilities by relevant maturity grouping at each statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Bank and other borrowings	2,093,576	409,060	857,936	317,026	3,677,598
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,308,392	–	–	–	1,308,392
Amounts due to related parties	50,000	–	–	–	50,000
Lease liabilities	6,870	4,646	13,423	138,557	163,496
Guarantee in respect of mortgage facilities for certain purchasers	1,075,944	–	–	–	1,075,944
	4,534,782	413,706	871,359	455,583	6,275,430

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Bank and other borrowings	481,533	68,148	162,199	160,931	872,811
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,611,300	–	–	–	1,611,300
Amounts due to related parties	1,120,133	–	–	–	1,120,133
Lease liabilities	5,029	4,166	9,975	139,217	158,387
Guarantee in respect of mortgage facilities for certain purchasers	894,058	–	–	–	894,058
	4,112,053	72,314	172,174	300,148	4,656,689

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (excluding non-interest bearing items) less total of cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net borrowings.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings	3,303,024	758,092
Lease liabilities	66,664	59,973
Less: Cash and cash equivalents	(956,933)	(218,881)
Restricted cash	(1,019,118)	(264,546)
Net borrowings	1,393,637	334,638
Total equity	2,819,409	653,279
Total capital	4,213,046	987,917
Gearing ratio	33%	34%

The gearing ratio remained stable from 31 December 2018 to 31 December 2019.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

See Note 20 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2019 by level of the inputs to valuation techniques used to measure fair value:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019				
Financial assets at fair value through profit or loss	–	–	–	–
At 31 December 2018				
Financial assets at fair value through profit or loss	–	–	600	600

(a) Financial instruments in level 3

The fair value of financial assets at fair value through profit or loss in level 3 is estimated by discounted cash flows at rates that reflect management's best estimation of the expected risk level. The significant unobservable inputs of the valuation techniques include expected future cash flow, expected recovery date and discount rates that correspond to the expected risk level.

Financial assets	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	Level 3	Discounted cash flows that are estimated based on expected future cash flows, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow. Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.

As at 31 December 2019, there is no financial assets at fair value through profit or loss held by the Group. For the year ended 31 December 2018, if the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax would have been approximately RMB60,000 higher/lower.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.4 Financial instruments by category

	At 31 December 2019		
	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding prepayments)	–	326,366	326,366
Amounts due from related parties	–	7,759	7,759
Restricted cash	–	1,019,118	1,019,118
Cash and cash equivalents	–	956,933	956,933
Total	–	2,310,176	2,310,176

	At 31 December 2018		
	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding prepayments)	–	99,245	99,245
Amounts due from related parties	–	980,702	980,702
Restricted cash	–	264,546	264,546
Cash and cash equivalents	–	218,881	218,881
Financial assets at fair value through profit or loss	600	–	600
Total	600	1,563,374	1,563,974

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.4 Financial instruments by category (continued)

	At 31 December 2019	
	Liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position		
Bank and other borrowings	3,303,024	3,303,024
Amounts due to related parties	50,000	50,000
Lease liabilities	66,664	66,664
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,308,392	1,308,392
Total	4,728,080	4,728,080

	At 31 December 2018	
	Liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position		
Bank and other borrowings	758,092	758,092
Amounts due to related parties	1,120,133	1,120,133
Lease liabilities	59,973	59,973
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,611,300	1,611,300
Total	3,549,498	3,549,498

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) **Estimates for net realisable value of properties under development and completed properties held for sale**

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2019 and 2018.

(b) **Fair value of investment properties**

The Group assesses the fair value of its completed investment properties based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value gains from investment properties are disclosed in Note 20.

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

(d) PRC land appreciation tax ("LAT")

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 Revenue and segment information

(a) Description of segments and principal activities

The executive directors, as the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, and the Group's consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	2,290,345	–	74,449	24,990	2,389,784
Recognised at a point in time	2,290,345	–	–	–	2,290,345
Recognised over time	–	–	74,449	24,990	99,439
Revenue from other sources: rental income	–	36,312	–	–	36,312
Inter-segment revenue	–	(12,093)	(616)	(10,577)	(23,286)
Revenue from external customers	2,290,345	24,219	73,833	14,413	2,402,810
Gross profit	1,124,259	20,389	3,385	(3,801)	1,144,232
Selling and marketing expenses					(131,046)
Administrative expenses					(162,938)
Net impairment losses on financial assets					(236)
Other income					3,731
Other expenses					(3,098)
Other gains – net					61,021
Finance income – net					1,386
Share of results of a joint venture (Note 16)	(158)	–	–	–	(158)
Share of results of an associate (Note 17)	(1,387)	–	–	–	(1,387)
Profit before income tax					911,507
Income tax expense					(416,590)
Profit for the year					494,917
Depreciation and amortisation	13,923	–	15,869	51	29,843
Fair value gains on investment properties – net (Note 20)	–	3,428	–	–	3,428
Segment assets	8,538,314	198,298	348,250	2,096	9,086,958
Segment assets include:					
Interests in an associate (Note 17)	29,653	–	–	–	29,653
Addition to non-current assets (other than financial instruments and deferred income tax assets)	17,299	–	662	129	18,090
Segment liabilities	2,637,528	3,196	18,907	10,418	2,670,049

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development and sales	Commercial property investment	Hotel operations	Property management	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,245,754	–	66,903	7,942	1,320,599
Recognised at a point in time	1,245,754	–	–	–	1,245,754
Recognised over time	–	–	66,903	7,942	74,845
Revenue from other sources:					
rental income	–	15,434	–	–	15,434
Inter-segment revenue	–	(5,413)	(314)	(1,419)	(7,146)
Revenue from external customers	1,245,754	10,021	66,589	6,523	1,328,887
Gross profit	503,733	8,953	421	(517)	512,590
Selling and marketing expenses					(74,225)
Administrative expenses					(124,598)
Net impairment losses on financial assets					(170)
Other income					1,276
Other expenses					(2,759)
Other gains – net					230,570
Finance income – net					649
Share of results of a joint venture (Note 16)	(2,781)	–	–	–	(2,781)
Share of results of an associate (Note 17)	(1,282)	–	–	–	(1,282)
Profit before income tax					539,270
Income tax expense					(157,511)
Profit for the year					381,759
Depreciation and amortisation	9,477	–	16,071	38	25,586
Fair value gains on investment properties – net (Note 20)	–	11,097	–	–	11,097
Segment assets	5,742,952	396,045	334,903	10,772	6,484,672
Segment assets include:					
Interests in a joint venture (Note 16)	20,559	–	–	–	20,559
Interests in an associate (Note 17)	35,326	–	–	–	35,326
Addition to non-current assets (other than financial instruments and deferred income tax assets)	10,847	–	3,839	132	14,818
Segment liabilities	5,050,188	1,816	20,318	7,930	5,080,252

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

(i) Segment assets

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and financial assets at fair value through profit or loss are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Segment assets	9,086,958	6,484,672
Unallocated:		
– Deferred income tax assets	126,131	128,899
– Financial assets at fair value through profit or loss	–	600
Total assets	9,213,089	6,614,171

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's deferred and current income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Segment liabilities	2,670,049	5,080,252
Unallocated:		
– Current income tax liabilities	234,465	85,466
– Deferred income tax liabilities	186,142	37,082
– Short-term borrowings and current portion of long-term borrowings	1,923,102	439,436
– Long-term borrowings	1,379,922	318,656
Total liabilities	6,393,680	5,960,892

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Sale commissions	23,148	47,745

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2019, the amount of amortisation was RMB76,180,000 (2018: RMB35,900,000). There was no impairment loss in relation to the costs capitalised.

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Contract liabilities related to sales of properties	1,109,683	2,046,730
Contract liabilities related to others	6,080	6,865
	1,115,763	2,053,595

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised for the year ended 31 December 2019 related to carried-forward contract liabilities:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of properties	1,882,148	1,104,522
Others	6,865	5,420
	1,889,013	1,109,942

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers (continued)

(iii) Unsatisfied contracts related to property development and sales:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Expected to be recognised within one year	1,086,700	1,790,239
Expected to be recognised after one year	236,176	369,390
	1,322,876	2,159,629

6 Expenses by nature

Expenses by nature included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	1,128,901	708,998
Employee benefit expenses (including directors' emoluments) (Note 10)	147,799	111,531
Employee benefit expenditure – including directors' emoluments	166,570	136,027
Less: capitalised in properties under development	(18,771)	(24,496)
Commission fees	76,180	35,900
Hotel operations expenses	29,417	28,785
Business taxes and other levies (Note (i))	20,225	26,050
Advertising costs	39,874	25,523
Entertainment expenses	19,265	20,232
Depreciation and amortisation of intangible assets and right-of-use assets	29,843	25,586
Listing expenses	23,546	10,840
Office and travelling expenses	11,283	8,086
Auditor's remuneration	2,800	934
Property management fees	7,596	1,704
Others	15,833	10,951
Total	1,552,562	1,015,120

Note (i) According to the Announcement on Policies for Deepening the VAT Reform (Announcement 2019 No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) which was promulgated on 20 March 2019 and came into force as of 1 April 2019, the VAT rates was further adjusted, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

7 Other income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Forfeited customer deposits	533	800
Others	3,198	476
	3,731	1,276

8 Other expenses

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Donations	1,376	2,443
Others	1,722	316
	3,098	2,759

9 Other gains – net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest on financial assets at fair value through profit or loss	1,832	9,123
Gains/(losses) on disposals of property, plant and equipment	199	(8)
Fair value gains on investment properties (<i>Note 20</i>)	3,428	11,097
Gains on disposal of subsidiaries (<i>Note 38</i>)	59,706	210,358
Net foreign exchange losses	(4,144)	–
	61,021	230,570

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

10 Employee benefit expenses

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses and other benefits	156,812	128,028
Pension costs – statutory pension	9,758	7,999
	166,570	136,027
Less: capitalised in properties under development	(18,771)	(24,496)
	147,799	111,531

(a) Pensions scheme – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

10 Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were all directors (2018: three), whose emoluments are reflected in the analysis in Note 41. The emoluments payable to the remaining individuals during the years 2019 and 2018 are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses and other benefits	–	3,619
Pension costs – statutory pension	–	20
	–	3,639

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
Nil – HK\$1,000,000	–	–
HK\$1,000,000 – HK\$1,500,000	–	–
HK\$1,500,000 – HK\$2,000,000	–	–
HK\$2,000,000 – HK\$2,500,000	–	2
	–	2

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

11 Finance income – net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Finance costs		
– Interest expense on bank and other borrowings	130,413	62,546
– Interest expense on leases	2,983	444
Less:		
– Interest capitalised	(119,177)	(62,990)
	14,219	–
Finance income		
– Interest income from bank deposits	(15,605)	(649)
Finance income – net	(1,386)	(649)

12 Income tax expense

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax:		
– Corporate income tax	161,768	119,717
– Land appreciation tax	235,356	85,637
	397,124	205,354
Deferred income tax		
– Corporate income tax	25,849	(47,843)
– Land appreciation tax	(6,383)	–
	19,466	(47,843)
	416,590	157,511

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the group entities as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	911,507	539,270
Calculated at tax rate of 25%	227,877	134,818
Effects of:		
– Different tax rates available to different subsidiaries of the Group	4,287	(16,035)
– Land appreciation tax deductible for PRC corporate income tax purposes	(57,243)	(21,409)
– Expenses and development costs not deductible for tax purposes	12,696	8,980
– Land appreciation tax	228,973	85,637
– Income not subject to tax	–	(34,480)
Income tax expense	416,590	157,511

(a) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

(b) PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, 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 appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense (continued)

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong for the year ended 31 December 2019 (2018: Nil).

13 Earnings per share

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018, the ordinary shares issued upon the incorporation of the Company (Note 28), the ordinary shares issued to capitalisation of loan due to ultimate controlling shareholder on 12 November 2019 (Note 29(a)) and the capitalisation issue on 13 November 2019 (Note 29(b)), were deemed to be issued on 1 January 2018 as if the Company has been incorporated by then.

	As at 31 December	
	2019	2018
Profit attribute to owners of the Company (RMB'000)	501,517	386,486
Weighted average number of ordinary shares in issue (thousand)	1,228,999	1,200,000
Earnings per share – basic (RMB per share)	0.41	0.32
Earnings per share – diluted (RMB per share)	0.41	0.32

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

14 Dividend

A dividend in respect of the year ended 31 December 2019 of RMB9.14 cents per ordinary share, amounting to a total dividend of RMB150,460,000, is to be proposed at the annual general meeting on 28 May 2020. These financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
– to be realised within 12 months	63,134	91,601
– to be realised after more than 12 months	62,997	37,298
	126,131	128,899
Deferred income tax liabilities		
– to be realised within 12 months	–	–
– to be realised after more than 12 months	186,142	37,082
	(60,011)	91,817

(a) Deferred income tax assets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Beginning of the year	132,350	80,315
Recognised in profit or loss	(2,113)	56,155
Disposal of subsidiaries	(50)	(4,120)
End of year	130,187	132,350
Offsetting with deferred income tax liabilities	(4,056)	(3,451)
Net deferred income tax assets	126,131	128,899

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)

(a) Deferred income tax assets (continued)

Movement of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Tax losses	Deductible temporary differences of expenses and cost of sales	Temporary difference in sales recognition and related cost of sales	Elimination of unrealised profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	18,543	2,740	59,032	–	80,315
Recognised in profit or loss	15,492	712	27,539	12,412	56,155
Disposal of subsidiaries	(4,120)	–	–	–	(4,120)
At 31 December 2018	29,915	3,452	86,571	12,412	132,350
Recognised in profit or loss	29,257	10,241	(53,759)	12,148	(2,113)
Disposal of a subsidiary	(50)	–	–	–	(50)
At 31 December 2019	59,122	13,693	32,812	24,560	130,187

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

(b) Deferred income tax liabilities

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Beginning of the year	40,533	32,221
Acquisition of subsidiaries	132,312	–
Recognised in profit or loss	17,353	8,312
End of the the year	190,198	40,533
Offsetting with deferred income tax assets	(4,056)	(3,451)
Net deferred income tax liabilities	186,142	37,082

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)

(b) Deferred income tax liabilities (continued)

Movement of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Fair value gains on investment properties	Excess of carrying amounts of completed properties held for sale over the tax bases	Interest capitalisation	Revaluation surplus arising from business combinations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	23,026	–	9,195	–	32,221
Recognised in profit or loss	2,775	–	5,537	–	8,312
At 31 December 2018	25,801	–	14,732	–	40,533
Acquisition of a subsidiary	–	6,715	–	125,597	132,312
Recognised in profit or loss	857	1,999	20,880	(6,383)	17,353
At 31 December 2019	26,658	8,714	35,612	119,214	190,198

As at 31 December 2019, deferred income tax liabilities of RMB110,094,000 (2018: RMB52,082,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB1,100,937,000 as at 31 December 2019 (2018: RMB520,817,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

16 Investment in a joint venture

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances	20,559	–
Additions	–	23,340
Share of results	(158)	(2,781)
Disposals	(20,401)	–
Ending balances	–	20,559

- (a) The Group's interest in a joint venture is accounted using equity method. The aggregate amount of the Group's share of loss from joint venture for the year ended 31 December 2019 was RMB158,000 (2018: RMB2,781,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investment in a joint venture (continued)

(b) Nature of investment in a joint venture as at 31 December 2019:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2019	2018	
Guangzhou Wanjing Property Development Co., Ltd. (the "Wanjing") 廣州市萬景房地產有限公司	PRC	Property development	N/A	77.8%	Equity

(c) As at 31 December 2019 and 2018, there were no significant contingencies relating to the Group's interests in the joint venture.

(d) The Group disposed of its subsidiary, Guangzhou Jinghong investment Co., Ltd, the holding company of Wanjing, to a third party on 11 June 2019 at a consideration of RMB74,893,000. The joint venture was disposed of accordingly.

(e) Summarised financial information for a joint venture

Set out below is the summarised financial information for Wanjing:

Summarised balance sheets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	–	3,057
Current assets		
Cash and cash equivalents	–	46
Trade and other receivables	–	2,434,092
Total assets	–	2,437,195
Non-current liabilities		
Bank borrowings	–	1,300,000
Current liabilities	–	1,110,770
Total liabilities	–	2,410,770
Net assets	–	26,425
The Group's share in %	–	77.8%
Carrying amount	–	20,559

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investment in a joint venture (continued)

(e) Summarised financial information for a joint venture (continued)

Summarised statements of comprehensive income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	(270)	(3,440)
Finance costs	(1)	(135)
Income tax expenses	68	–
Loss for the year	(203)	(3,575)
Total comprehensive loss for the year	(203)	(3,575)

17 Investment in an associate

The movement of investment in an associate is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances	35,326	36,608
Addition	–	24,500
Share of results	(1,387)	(1,282)
Disposal	–	(24,500)
Elimination of unrealised profits	(4,286)	–
Ending balances	29,653	35,326

(a) Nature of investment in an associate as at 31 December 2019:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December 2019	2018	
Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. (the "Donghuzhou") 廣州市南沙東湖洲房地產有限公司	PRC	Property development	30%	30%	Equity

(b) As at 31 December 2019 and 2018, there were no significant contingencies relating to the Group's interests in the associate.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Investment in an associate (continued)

(c) Summarised financial information for an associate

Set out below is the summarised financial information for Donghuzhou:

Summarised balance sheets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	–	3,337
Properties under development	534,564	360,510
Cash and cash equivalents	53,863	36,013
Trade and other receivables and prepayments	172,859	33,448
Current assets	761,286	429,971
Total assets	761,286	433,308
Bank and other borrowings	138,000	–
Current liabilities	524,442	315,556
Total liabilities	662,442	315,556
Net assets	98,844	117,752
The Group's share in %	30%	30%
Carrying amount	29,653	35,326

Summarised statement of comprehensive income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	(989)	(1,585)
Selling expenses	(4,028)	(2,727)
Finance income	257	89
Other income	207	21
Other expenses	(70)	(72)
Loss for the year	(4,623)	(4,274)
Total comprehensive loss for the year	(4,623)	(4,274)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Property, plant and equipment

	Buildings RMB'000	Vehicles and machinery RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018				
Cost	345,981	5,737	8,253	359,971
Accumulated depreciation	(16,065)	(1,223)	(3,550)	(20,838)
Net book amount	329,916	4,514	4,703	339,133
Year ended 31 December 2018				
Opening net book amount	329,916	4,514	4,703	339,133
Additions	1,681	4,901	2,365	8,947
Disposals of subsidiaries	–	–	(224)	(224)
Disposals	–	(73)	(178)	(251)
Depreciation	(13,022)	(1,849)	(1,933)	(16,804)
Exchange difference	–	52	(16)	36
Closing net book amount	318,575	7,545	4,717	330,837
At 31 December 2018				
Cost	347,662	10,617	10,200	368,479
Accumulated depreciation	(29,087)	(3,072)	(5,483)	(37,642)
Net book amount	318,575	7,545	4,717	330,837
Year ended 31 December 2019				
Opening net book amount	318,575	7,545	4,717	330,837
Additions	–	5,838	2,021	7,859
Disposals	–	(65)	(195)	(260)
Depreciation	(13,004)	(2,473)	(2,734)	(18,211)
Exchange difference	–	29	10	39
Closing net book amount	305,571	10,874	3,819	320,264
At 31 December 2019				
Cost	347,662	16,419	12,036	376,117
Accumulated depreciation	(42,091)	(5,545)	(8,217)	(55,853)
Net book amount	305,571	10,874	3,819	320,264

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Property, plant and equipment (continued)

Depreciation of the property, plant and equipment has been charged to profit or loss or capitalised in properties under development as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Selling and marketing expenses	239	166
Administrative expenses	3,576	2,700
Cost of sales	14,180	13,791
	17,995	16,657
Properties under development	216	147
	18,211	16,804

As at 31 December 2019, the following net book amount of buildings were pledged as collateral for the Group's bank and other borrowings:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Buildings	300,091	284,728

As at 31 December 2019, buildings mainly comprised of hotels of RMB272,752,000 (2018: RMB284,728,000) which are located in the PRC.

19 Right-of-use assets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Lands (Note (a))	249,268	255,778
Buildings	11,109	6,925
	260,377	262,703

(a) The amounts mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Right-of-use assets (continued)

(b) The movement of right-of-use assets is shown in the table below for the years ended 31 December 2019 and 2018:

	Lands	Buildings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018			
Cost	261,202	16,052	277,254
Accumulated amortisation	(4,367)	(6,640)	(11,007)
Net book amount	256,835	9,412	266,247
Year ended 31 December 2018			
Opening net book amount	256,835	9,412	266,247
Additions	3,667	1,110	4,777
Amortisation	(4,724)	(3,735)	(8,459)
Exchange difference	–	138	138
Closing net book amount	255,778	6,925	262,703
At 31 December 2018			
Cost	264,869	17,300	282,169
Accumulated amortisation	(9,091)	(10,375)	(19,466)
Net book amount	255,778	6,925	262,703
Year ended 31 December 2019			
Opening net book amount	255,778	6,925	262,703
Additions	663	7,735	8,398
Amortisation	(7,173)	(3,576)	(10,749)
Exchange difference	–	25	25
Closing net book amount	249,268	11,109	260,377
At 31 December 2019			
Cost	265,532	25,060	290,592
Accumulated amortisation	(16,264)	(13,951)	(30,215)
Net book amount	249,268	11,109	260,377

(c) As at 31 December 2019, lands with net book value of RMB13,865,000 (2018: RMB14,409,000), were pledged as collateral for the Group's bank and other borrowings (Note 30).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Right-of-use assets (continued)

- (d) Amortisation of the right-of-use assets has been charged to profit or loss or capitalised in assets under construction as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	9,982	7,663
Cost of sales	767	796
	10,749	8,459

20 Investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening net book value	184,275	173,178
Fair value changes	3,428	11,097
Closing net book value	187,703	184,275

As at 31 December 2019 and 2018, investment properties mainly comprise three retail properties.

As at 31 December 2019, three retail properties of RMB187,703,000 (2018: RMB184,275,000) were pledged as collateral for the Group's bank and other borrowings (Note 30).

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Rental income	9,584	8,542
Direct operating expenses from investment properties that generate rental income	(1,265)	(848)
	8,319	7,694

The investment properties are located in the PRC and are held on leases of between 40 to 50 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Investment properties (continued)

(a) Fair value hierarchy

An independent valuation of the Group's completed investment properties was performed by the independent and professionally qualified valuer to determine the fair value of the investment properties as at 31 December 2019 and 2018. The revaluation gains or losses are included in 'Other gains – net' in the consolidated statements of comprehensive income.

As at 31 December 2019 and 2018, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.9).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels for the year ended 31 December 2019 and 2018.

(b) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by independent and professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months for the years ended 31 December 2019 and 2018.

At each financial year end, the financial department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Investment properties (continued)

(c) Valuation techniques

Completed investment properties comprise of retail properties. For retail properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques for the year ended 31 December 2019.

	Property category	Fair value at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	184,275,000	Term and reversionary method	Market price (RMB/square metre)	110-221	The higher the market price, the higher the fair value
				Term yields	4.00%-4.50%	The higher the term yields, the lower the fair value

	Property category	Fair value at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	187,703,000	Term and reversionary method	Market price (RMB/square metre)	114-227	The higher the market price, the higher the fair value
				Term yields	4.00%-4.50%	The higher the term yields, the lower the fair value

As at 31 December 2019 and 2018, the period of leases whereby the Group leases out its investment properties held in the PRC were between 2 to 8 years.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

21 Intangible assets

	Computer software
	RMB'000
Year ended 31 December 2018	
Opening net book amount	1,249
Additions	1,096
Disposal	(21)
Amortisation	(470)
Closing net book amount	1,854
At 31 December 2018	
Cost	2,861
Accumulated amortisation	(1,007)
Net book amount	1,854
Year ended 31 December 2019	
Opening net book amount	1,854
Additions	1,833
Disposal	(6)
Amortisation	(1,099)
Closing net book amount	2,582
At 31 December 2019	
Cost	4,688
Accumulated amortisation	(2,106)
Net book amount	2,582

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Properties under development

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Properties under development expected to be completed:		
– Land use rights	2,595,003	2,153,042
– Contractual rights of land (Note (a))	256,732	236,999
– Construction costs	963,761	759,376
– Interests capitalised	139,519	71,856
	3,955,015	3,221,273

- (a) Contractual rights of land mainly represents the agricultural land and forest land acquired from the collective economic organisations in 2017, which will be transferred the usage to land use rights in near future.
- (b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.
- (c) The capitalisation rates of borrowings is 5.90% (2018: 5.74%) for the year ended 31 December 2019.
- (d) As at 31 December 2019, properties under development with net book value of RMB1,016,776,000 (2018: RMB221,985,000), were pledged as collateral for the Group's bank and other borrowings (Note 30).

23 Completed properties held for sale

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	128,967	128,006
Construction costs	758,061	374,447
Interest capitalised	54,763	32,848
	941,791	535,301
Completed properties held for sale acquired	830,343	–
	1,772,134	535,301

The completed properties held for sale are all located in the PRC.

As at 31 December 2019, completed properties held for sale with net book value of RMB1,095,440,000 (2018: RMB288,832,000), were pledged as collateral for the Group's bank and other borrowings (Note 30).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

24 Trade and other receivables and prepayments

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Included in current assets:		
Trade receivables – third parties (<i>Note (a)</i>)	7,552	6,645
Other receivables – third parties (<i>Note (b)</i>)	319,697	93,247
Prepayments for acquisition of land use rights (<i>Note (c)</i>)	132,854	100,330
Other prepayments (<i>Note (d)</i>)	34,445	31,677
	494,548	231,899
Less: non-current portion	(12,929)	(12,969)
Less: impairment	(883)	(647)
	480,736	218,283

As at 31 December 2019 and 2018, the fair value of trade and other receivables approximated their carrying amounts.

As at 31 December 2019, trade receivables with net book value of RMB1,190,000 (2018: RMB6,122,000) were pledged as collateral for the Group's bank and other borrowings (*Note 30*).

(a) Details of trade receivables are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables — third parties	7,552	6,645
Less: allowance for impairment	–	–
Trade receivables — net	7,552	6,645

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	7,552	6,645

Trade receivables mainly arise from sales of properties and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group's trade receivables are denominated in RMB.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

24 Trade and other receivables and prepayments (continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deposits for acquisition of land use rights	275,419	42,969
Cash advances to third parties	–	16,150
Receivables from disposal of a subsidiary	–	3,000
Others	44,278	31,128
	319,697	93,247
Less: allowance for impairment	(883)	(647)
Other receivables – net	318,814	92,600

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Prepayments for property development projects	12,668	14,080
Prepaid business taxes and other taxes	4,274	1,974
Others	17,503	15,623
Other prepayment	34,445	31,677

25 Prepaid taxes

Details of prepaid taxes are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Corporate income taxes	15,626	1,981
Land appreciation taxes	10,334	64,778
Value added taxes	31,002	80,843
	56,962	147,602

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Restricted cash

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantee deposits for construction of pre-sold properties (<i>Note (a)</i>)	87,171	55,985
Guarantee deposits for borrowings (<i>Note (b)</i>)	930,558	208,561
Others	1,389	–
	1,019,118	264,546
Denominated in:		
– RMB	88,560	55,985
– US\$	437,879	208,561
– HK\$	492,679	–
	1,019,118	264,546

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

As at 31 December 2019, the Group has placed cash deposits of approximately RMB930,558,000 (2018: RMB208,561,000) with designated banks as security for bank borrowings (Note 30).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

27 Cash and cash equivalents

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Cash at bank and in hand	1,976,051	483,427
Less: restricted cash	(1,019,118)	(264,546)
Cash and cash equivalents	956,933	218,881

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Denominated in RMB	306,878	120,667
Denominated in HK\$	612,592	95,566
Denominated in US\$	37,463	2,648
	956,933	218,881

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

28 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
Ordinary share of HK\$0.01 each upon incorporation	38,000,000	HK\$380,000	RMB336,000	RMB336,000
Issued and fully paid				
At 2 November 2018 (date of incorporation)	1	HK\$0.01	RMB0.01	RMB0.01
Issue of shares of HK\$0.01 each	2	HK\$0.02	RMB0.02	RMB0.02
At 31 December 2018 and 1 January 2019	3	HK\$0.03	RMB0.03	RMB0.03
Issue of share in connection with capitalisation of shareholder's loan (<i>Note 29(a)</i>)	1	HK\$0.01	RMB0.01	RMB0.01
Issue of shares in connection with the capitalisation issue (<i>Note 29(b)</i>)	1,199,999,996	HK\$12,000,000	RMB10,749,000	RMB10,749,000
Issue of shares in connection with the Company's listing (<i>Note 29(b)</i>)	446,173,000	HK\$4,462,000	RMB3,997,000	RMB3,997,000
At 31 December 2019	1,646,173,000	HK\$16,462,000	RMB14,746,000	RMB14,746,000

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Other reserves and retained earnings

	Combined reserves	Statutory reserve	Exchange difference	Total reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	50,300	32,191	(7,634)	74,857	119,001	193,858
Profit for the year	-	-	-	-	386,486	386,486
Transfer to statutory reserves	-	18,826	-	18,826	(18,826)	-
Capital injection from controlling shareholder	9,800	-	-	9,800	-	9,800
Deemed distribution to controlling shareholder	(60,100)	-	-	(60,100)	-	(60,100)
Capitalisation of shareholder's loan	43,810	-	-	43,810	-	43,810
Other comprehensive loss	-	-	(24,550)	(24,550)	-	(24,550)
Balance at 31 December 2018	43,810	51,017	(32,184)	62,643	486,661	549,304
Balance at 1 January 2019	43,810	51,017	(32,184)	62,643	486,661	549,304
Profit for the year	-	-	-	-	501,517	501,517
Transfer to statutory reserves	-	49,172	-	49,172	(49,172)	-
Capitalisation of loan due to ultimate controlling shareholder (Note (a))	461,995	-	-	461,995	-	461,995
Issue of shares in connection with the capitalisation issue (Note (b))	(10,749)	-	-	(10,749)	-	(10,749)
Issue of shares in connection with the Company's listing (Note (b))	1,258,969	-	-	1,258,969	-	1,258,969
Share issuance cost (Note (c))	(27,429)	-	-	(27,429)	-	(27,429)
Other comprehensive loss	-	-	(29,399)	(29,399)	-	(29,399)
Balance at 31 December 2019	1,726,596	100,189	(61,583)	1,765,202	939,006	2,704,208

- (a) On 12 November 2019, the Company issued 1 ordinary share to Sze Ming Limited to settle HK\$515,746,000 (RMB461,995,000) due to CHAN Sze Ming Michael, the ultimate controlling shareholder.
- (b) On 13 November 2019, the Company issued 1,199,999,996 ordinary shares (HK\$0.01 each) to Sze Ming Limited by way of capitalisation of HK\$12,000,000 (approximately RMB10,749,000) conditional on the share premium amount of the Company being credited as a result of the global offering (the "Global Offering").

On 5 December 2019, the Company issued a total of 400,000,000 ordinary shares at a price of HK\$3.16 per share as a result of the completion of the Global Offering.

On 27 December 2019, 46,173,000 shares were issued upon the partial exercise of the over-allotment option in connection with the Global Offering at a price of HK\$3.16 per share.

Number of total issued shares of the Company was increased to 1,646,173,000 shares upon completion of the capitalisation issue, the Global Offering and the partial exercise of over-allotment option.

- (c) Share issuance cost mainly included share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the listing. Incremental costs that were directly attributable to the issue of the new shares amounting RMB27,429,000 was treated as a deduction against the share premium arising from the issuance.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Bank and other borrowings

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Bank borrowings	3,096,995	758,092
Loans from a third party (Note (a))	206,029	–
	3,303,024	758,092
Included in non-current liabilities:		
– Secured (Note (c) & (d))	1,595,888	500,949
– Unsecured (Note (d))	–	57,143
Less: current portion of non-current liabilities	(215,966)	(239,436)
	1,379,922	318,656
Included in current liabilities:		
– Secured (Note (c) & (d))	703,862	200,000
– Unsecured (Note (d))	1,003,274	–
Add: Current portion of non-current liabilities	215,966	239,436
	1,923,102	439,436
Total borrowings	3,303,024	758,092

- (a) On 27 December 2019, a third party offered a loan of RMB206,029,000 to the Group, with the interest rate of 7.00% per annum. The borrowing was guaranteed by the Company and the expiring date is 26 January 2021.
- (b) As at 31 December 2019, the Group's borrowings are denominated in following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	1,807,071	758,092
HK\$	1,495,953	–
	3,303,024	758,092

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Bank and other borrowings (continued)

- (c) As at 31 December 2019, bank and other borrowings totalling RMB2,299,750,000 (2018: RMB700,949,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Lands	13,865	14,409
Property, plant and equipment	300,091	284,728
Investment properties	187,703	184,275
Properties under development	1,016,776	221,985
Completed properties held for sale	1,095,440	288,832
Trade receivables	1,190	6,122
Restricted cash	930,558	208,561
	3,545,623	1,208,912

- (d) The Group's unsecured borrowings of RMB555,384,000 (2018: RMB57,143,000) as at 31 December 2019 were guaranteed by the Company.

The Group's secured borrowings of RMB2,226,150,000 (2018: RMB483,468,000) as at 31 December 2019 were guaranteed by certain subsidiaries.

- (e) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
6 months or less	1,609,986	59,458
6-12 months	313,116	379,978
1-2 years	329,386	51,256
Over 2 years	1,050,536	267,400
	3,303,024	758,092

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Bank and other borrowings (continued)

(f) The repayment terms of the borrowings are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 1 year	1,923,102	439,436
1 to 2 years	329,386	51,256
2 to 5 years	797,092	148,066
Over 5 years	253,444	119,334
	3,303,024	758,092

(g) The annual weighted average effective interest rates were as follows:

	As at 31 December	
	2019	2018
Bank and other borrowings	6.43%	5.74%

(h) The carrying amounts of the borrowings approximate their fair values as at 31 December 2019 and 2018 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

31 Trade and other payables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade payables (Note (a))	888,864	489,454
Notes payable	156,369	135,505
Amounts due to non-controlling interests (Note (b))	62,123	303,172
Amounts due to original shareholder of a subsidiary acquired (Note (b))	–	449,410
Outstanding consideration payables for acquisitions (Note (c))	52,809	96,760
Contract liabilities (Note 5)	1,115,763	2,053,595
Deposits payables (Note (d))	54,243	61,622
Accrued expenses	37,240	40,613
Salaries payable	52,944	45,985
Other taxes payable	76,286	189,266
Interest payable	6,282	2,280
Other payables (Note (e))	50,462	32,484
	2,553,385	3,900,146

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

31 Trade and other payables (continued)

(a) Aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	508,758	223,831
Over 90 days and within 365 days	280,135	181,705
Over 365 days	99,971	83,918
	888,864	489,454

The Group's trade payables as at 31 December 2019 is denominated in RMB, US\$ and HK\$.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	884,962	489,454
US\$	2,192	–
HK\$	1,710	–
	888,864	489,454

- (b) During the year ended 31 December 2018, Guangzhou Yinong Enterprise Co., Ltd. (“**Guangzhou Yinong**”), one of the subsidiaries of the Group, acquired 50.1% equity interest of Guangzhou Jinghong Investment Co., Ltd (“**Guangzhou Jinghong**”) from Guangzhou Jinghengyue Investment Co., Ltd (“**Guangzhou Jinghengyue**”). Prior to the acquisition, Guangzhou Jinghengyue and the non-controlling interest advanced total amount of RMB449,410,000 and RMB265,742,000, respectively to Guangzhou Jinghong, which was further advanced to a joint venture for the purpose of acquisition of land use rights. The amounts due to the original shareholder and the non-controlling interest had been fully paid in 2019. The remaining balance represents advances from the non-controlling interests of certain subsidiaries of the Group in the original course of business, which are interest-free, unsecured and repayable on demand.
- (c) The amounts mainly comprise the consideration payables for the acquisitions, which are repayable according to the terms and conditions agreed with the original shareholders.
- (d) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (e) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

32 Cash flow information

(a) Cash (used in)/generated from operations:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit for the year	494,917	381,759
Adjustments for:		
Income tax expense	416,590	157,511
Finance income	(15,605)	(649)
Finance costs	14,219	–
Depreciation and amortisation of intangible assets and right-of-use assets (Note 6)	29,843	25,586
Share of results of an associate	1,387	1,282
Share of results of a joint venture	158	2,781
Fair value gains on investment properties (Note 9)	(3,428)	(11,097)
Interest of financial assets at fair value through profit or loss (Note 9)	(1,832)	(9,123)
Gains on disposal of subsidiaries (Note 9)	(59,706)	(210,358)
Provision for impairment of other receivables	236	170
(Gains)/losses on disposals of property, plant and equipment	(199)	8
Net exchange differences	4,144	–
Elimination of unrealised profits	4,286	–
	885,010	337,870
Changes in working capital:		
Properties under development and completed properties held for sale and inventories	(957,732)	(1,485,739)
Restricted cash	(32,575)	56,883
Trade and other receivables and prepayments	(407,677)	(770,939)
Amount due from related parties – trade balance	(1,401)	(333)
Prepaid taxes (excluding prepaid income taxes)	49,841	2,771
Contract costs	24,597	(11,125)
Trade and other payables	(716,300)	1,908,687
Amount due to related parties – trade balance	45,097	4,773
	(1,996,150)	(295,022)
Cash (used in)/generated from operations	(1,111,140)	42,848

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

32 Cash flow information (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment and intangible assets comprise:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Property, plant and equipment and intangible assets		
Net book amount (<i>Note 18 & 21</i>)	266	251
Gains/(losses) on disposals (<i>Note 9</i>)	199	(8)
Proceeds	465	243

- (c) Reconciliation of liabilities arising from financing activities:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2018	437,414	684,131	629,293	64,373	1,815,211
Cash flows-operating activities	–	–	4,773	(444)	4,329
Cash flows-financing activities	(237,414)	(190,819)	566,077	(9,327)	128,517
Reclassification	239,436	(239,436)	–	–	–
Currency translation differences	–	–	–	150	150
Other non-cash movements (<i>Note (i)</i>)	–	64,780	(80,010)	5,221	(10,009)
Balance as at 31 December 2018	439,436	318,656	1,120,133	59,973	1,938,198
Balance as at 1 January 2019	439,436	318,656	1,120,133	59,973	1,938,198
Cash flows-operating activities	–	–	50,000	(2,983)	47,017
Cash flows-financing activities	1,267,700	866,292	(615,735)	(1,738)	1,516,519
Reclassification	215,966	(215,966)	–	–	–
Currency translation differences	–	–	–	31	31
Other non-cash movements (<i>Note (i)</i>)	–	410,940	(504,398)	11,381	(82,077)
Balance as at 31 December 2019	1,923,102	1,379,922	50,000	66,664	3,419,688

- (i) Other non-cash movements mainly comprise: (i) the acquisition of subsidiaries with loans, (ii) accrued interest expense and lease liabilities, (iii) the capitalisation of amounts due to controlling shareholder, (iv) the amounts due to related parties were settled with corresponding receivables arising from rendering of management consultancy services, and (v) the movement of amount due from ultimate controlling shareholder.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

33 Guarantee

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	1,075,944	894,058

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

34 Commitments

Commitments for capital and property development expenditure:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for: Property development activities	1,896,976	2,170,163

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Lease liabilities

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position show the following amounts relating to lease liabilities:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Right-of-use assets	260,377	262,703

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Lease liabilities		
Current	3,743	2,120
Non-current	62,921	57,853
	66,664	59,973

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income show the following amounts relating to lease:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Amortisation charge of right-of-use assets	10,749	8,459
Interest expense (included in finance costs)	2,983	444

The total cash outflow for leases for the year ended 31 December 2019 was RMB4,721,000 (2018: RMB9,771,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Lease liabilities (continued)

(c) Commitments and present value of lease liabilities are shown in the table below for the year ended 31 December 2019:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Commitments in relation to lease liabilities are payable as follows:		
Within 1 year	6,870	5,029
1 to 2 years	4,646	4,166
2 to 5 years	13,423	9,975
Over 5 years	138,557	139,217
Minimum lease payments	163,496	158,387
Future finance charges	(96,832)	(98,414)
Total lease liabilities	66,664	59,973

	As at 31 December	
	2019 RMB'000	2018 RMB'000
The present value of lease liabilities is as follows:		
Within 1 year	3,743	2,120
1 to 2 years	1,605	1,383
2 to 5 years	4,773	1,823
Over 5 years	56,543	54,647
	66,664	59,973

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Lease liabilities (continued)

(d) Movements of lease liabilities is shown in the table below for the year ended 31 December 2019:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2018	3,431	60,942
Lease payment	(9,771)	–
Accrued interest	444	–
Increase in right-of-use assets	4,777	–
Exchange difference	90	60
Reclassification between current and non-current	3,149	(3,149)
As at 31 December 2018	2,120	57,853

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2019	2,120	57,853
Lease payment	(4,721)	–
Accrued interest	2,983	–
Increase in right-of-use assets	2,365	6,033
Exchange difference	25	6
Reclassification between current and non-current	971	(971)
As at 31 December 2019	3,743	62,921

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Guangdong Zhuosidao Education Investment Management Co., Ltd. ("Zhuosidao Education") 廣東卓思道教育投資管理有限公司	Controlled by ultimate controlling shareholder
Sino Kingdom Development Limited ("Sino Kingdom") 世基發展有限公司	Controlled by ultimate controlling shareholder
Golden United Development Limited ("Golden United") 嘉源發展有限公司	Controlled by ultimate controlling shareholder
Donghuzhou 廣州市南沙東湖洲房地產有限公司	Associate of the Group
Wanjing 廣州市萬景房地產有限公司	Joint Venture of the Group
Sze Ming Limited 思銘有限公司	Ultimate holding company of the Company

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions (continued)

(b) Transactions with related parties

The ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who own 72.9% of the Company's shares.

The Group had the following transactions with related parties for the year ended 31 December 2019:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
(i) Sales of properties		
– ultimate controlling shareholder	–	496
Total	–	496
(ii) Provision of guarantee in respect of borrowings outstanding		
– ultimate controlling shareholder	–	222,010
Total	–	222,010
(iii) Rendering of property management services		
– Donghuzhou	1,167	707
Total	1,167	707
(iv) Rendering of management consultancy services		
– Donghuzhou	14,286	–
Total	14,286	–

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions (continued)

(c) Balances with related parties

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Amounts due from an associate and a joint venture		
Trade balances		
– Donghuzhou	1,734	333
	1,734	333
Non-trade balances		
– Donghuzhou	6,025	51,857
– Wanjing	–	851,186
	6,025	903,043
Amounts due from ultimate controlling shareholder and entities controlled by ultimate controlling shareholder		
Non-trade balances		
– Zhuosidao Education	–	39,826
– Ultimate controlling shareholder	–	37,500
	–	77,326
Amounts due to an associate		
Prepayments from		
Trade balance		
– Donghuzhou	50,000	4,903
	50,000	4,903
Amounts due to ultimate controlling shareholder and an entity controlled by ultimate controlling shareholder		
Non-trade balances		
– Ultimate controlling shareholder	–	1,115,230
	–	1,115,230

Amounts due to/from related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions (continued)

(d) Key management compensation

Key management compensation for the years ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Key management compensation		
– Salaries and other employee benefits	37,291	19,145
– Pension costs	105	101
	37,396	19,246

37 Particulars of subsidiaries

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below:

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		Equity interests held by non-controlling interests
							Attributable equity interests		
							Direct	Indirect	
景業控股有限公司 Jingye Holdings Limited	13/12/2013	Limited liability company	BVI	Investment holding	US\$101	US\$200	100%	-	-
廣州意濃實業有限公司 Guangzhou Yinong Enterprise Co., Ltd. ("Guangzhou Yinong")	01/07/2002	Limited liability company	Mainland China	Property development	RMB 500,000,000	RMB 500,000,000	-	100%	-
廣州市景業房地產開發有限公司 Guangzhou Jingye Real Estate Development Co., Ltd.	18/06/2008	Limited liability company	Mainland China	Property development	RMB 301,000,000	RMB 301,000,000	-	100%	-
海南景業房地產開發有限公司 Hainan Jingye Real Estate Development Co., Ltd.	25/12/2013	Limited liability company	Mainland China	Property development	RMB 100,000,000	RMB 100,000,000	-	100%	-
廣州卓都物業管理有限公司 Guangzhou Zhuodu Property Management Co., Ltd. ("Guangzhou Zhuodu")	30/07/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		Equity interests held by non-controlling interests
							Attributable equity interests		
							Direct	Indirect	
海南卓都物業服務有限公司 Hainan Zhuodu Property Services Co., Ltd.	31/10/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-
中山市景雅裝飾工程有限公司 Zhongshan Jingya Decoration Engineering Co., Ltd.	25/03/2005	Limited liability company	Mainland China	Building decoration	RMB 500,000	RMB 500,000	-	100%	-
廣州廣澤房地產開發有限公司 Guangzhou Guangze Real Estate Development Co., Ltd. ("Guangzhou Guangze")	05/11/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	-	100%	-
廣州市江河水泥製品有限公司 Guangzhou Jianghe Cement Products Co., Ltd.	14/03/2001	Limited liability company	Mainland China	Property development	RMB 10,500,000	RMB 10,500,000	-	100%	-
景業控股(香港)有限公司 Jingye Holdings (HK) Limited ("Jingye Holdings (HK)")	02/01/2014	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
景業健康產業控股有限公司 Jingye Health Industry Holdings Limited	19/11/2015	Limited liability company	BVI	Health management	US\$1	US\$1	-	100%	-
景業健康產業有限公司 Jingye Health Industry Limited	30/11/2015	Limited liability company	Hong Kong	Health management	HK\$1	HK\$1	-	100%	-
廣州卓思道酒店管理有限公司 Guangzhou Zhuosidao Hotel Management Co., Ltd.	22/07/2015	Limited liability company	Mainland China	Hotel management	RMB 50,000,000	RMB 50,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州市舜邦投資管理有限公司 Guangzhou Shunbang Investment Management Co., Ltd.	21/08/2015	Limited liability company	Mainland China	Property investment	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣東景業健康產業發展有限公司 Guangdong Jingye Health Industry Development Co., Ltd.	05/12/2016	Limited liability company	Mainland China	Business management	RMB 10,000,000	RMB 1,016,000	-	100%	-
廣州市舜安健康產業管理有限公司 Guangzhou Shun'an Health Industry Management Co., Ltd.	05/01/2016	Limited liability company	Mainland China	Health management	RMB 1,000,000	RMB 1,000,000	-	100%	-
廣州景譽健康管理發展有限公司 Guangzhou Jingyu Health Industry Development Co., Ltd.	10/03/2016	Limited liability company	Mainland China	Health management	RMB 10,000,000	RMB 200,000	-	100%	-
廣州崇譽投資有限公司 Guangzhou Chongyu Investment Co., Ltd.	18/01/2017	Limited liability company	Mainland China	Business management	RMB 400,000,000	RMB 346,436,000	-	60%	40%
廣州新芳實業有限公司 Guangzhou Xinfang Enterprise Co., Ltd.	08/06/2000	Limited liability company	Mainland China	Property development	RMB 399,000,000	RMB 344,010,000	-	60%	40%
廣州顯邦投資有限公司 Guangzhou Haobang Investment Co., Ltd.	31/05/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	-	60%	40%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
英德景業房地產有限公司 Yingde Jingye Real Estate Co., Ltd.	12/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州創藝裝飾工程有限公司 Guangzhou Chuangyi Decoration Engineering Co., Ltd.	24/04/2017	Limited liability company	Mainland China	Building decoration	RMB 50,000,000	RMB 50,090,000	-	100%	-
英德桑緣農業發展有限公司 Yingde Sangyuan Agriculture Development Co., Ltd.	11/04/2014	Limited liability company	Mainland China	Property development	RMB 52,000,000	RMB 10,400,000	-	80%	20%
英德市山湖居房地產開發有限公司 Yingde Shanhuju Real Estate Development Co., Ltd.	22/07/2011	Limited liability company	Mainland China	Property development	RMB 25,000,000	RMB 25,000,000	-	100%	-
英德景創房地產開發有限公司 Yingde Jingchuang Real Estate Development Co., Ltd.	19/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 35,000,000	-	70%	30%
英德金雄水泥有限公司 Yingde Jinxiang Cement Co., Ltd.	19/05/1994	Limited liability company	Mainland China	Property development	RMB 24,120,000	RMB 24,120,000	-	100%	-
廣州市番禺區德誠銅業有限公司 Guangzhou Panyu Decheng Copper Co., Ltd.	08/06/1999	Limited liability company	Mainland China	Property development	RMB 2,000,000	RMB 2,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		Equity interests held by non-controlling interests
							Attributable equity interests		
							Direct	Indirect	
舜邦投资管理(香港)有限公司 Shunbang Investment Management (HK) Limited	22/11/2017	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
舜邦投資管理控股有限公司 Shunbang Investment Management Holdings Limited	01/11/2017	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
舜邦商務管理(廣州)有限公司 Shunbang Corporate Management (Guangzhou) Co., Ltd.	23/04/2018	Limited liability company	Mainland China	Business management	RMB 100,000,000	RMB 50,000,000	-	100%	-
景業名邦控股(廣州)有限公司 Jingye Mingbang Holdings (Guangzhou) Co., Limited	27/03/2018	Limited liability company	Mainland China	Business management	RMB 10,000,000	RMB0	-	100%	-
騰衝景業房地產開發有限公司 Tengchong Jingye Real Estate Development Co., Ltd.	24/01/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
卓思道酒店管理控股有限公司 Zhuosidao Hotel Management Holdings Limited	27/03/2018	Limited liability company	BVI	Investment holding	US\$10	US\$0	-	100%	-
景業酒店管理(香港)有限公司 Jingye Hotel Management (HK) Limited	30/04/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
株洲景業房地產開發有限公司 Zhuzhou Jingye Real Estate Development Co., Ltd.	25/07/2018	Limited liability company	Mainland China	Property development	RMB 300,000,000	RMB 300,000,000	-	90%	10%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州市景悅房地產有限公司 Guangzhou Jingyue Real Estate Co., Ltd.	20/08/2018	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB0	-	90%	10%
肇慶市景悅科技發展有限公司 Zhaoqing Jingyue Technology Development Co., Ltd.	28/08/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	90%	10%
廣州市普盛房地產開發有限公司 Guangzhou Pusheng Real Estate Development Co., Ltd.	22/12/2015	Limited liability company	Mainland China	Property development	RMB 5,000,000	RMB 5,000,000	-	80%	20%
海南煜煜房地產開發有限公司 Hainan Xuanyu Real Estate Development Co., Ltd.	16/10/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	80%	20%
雅安景業健康產業發展有限公司 Ya'an Jingye Health Industry Development Co., Ltd.	27/07/2018	Limited liability company	Mainland China	Health management	RMB 100,000,000	RMB 30,000,000	-	100%	-
英德市錦坤實業投資有限公司 Yingde Jinkun Enterprise Investment Co., Ltd.	11/09/2014	Limited liability company	Mainland China	Property development	RMB 1,000,000	RMB 1,000,000	-	100%	-
英德市卓都物業管理有限公司 Yingde Zhuodu Property Management Co., Ltd.	24/08/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-
雲南卓都物業管理有限公司 Yunnan Zhuodu Property Management Co., Ltd.	20/09/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		Equity interests held by non-controlling interests
							Attributable equity interests		
							Direct	Indirect	
創藝控股有限公司 Chuangyi Holdings Limited	05/07/2018	Limited liability company	BVI	Investment holding	US\$10	US\$0	-	100%	-
創藝控股(香港)有限公司 Chuangyi Holdings (HK) Limited	30/08/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
泓創控股(廣州)有限公司 Hongchuang Holdings (Guangzhou) Co., Ltd.	25/10/2018	Limited liability company	Mainland China	Investment holding	RMB 5,000,000	RMB 5,000,000	-	100%	-
廣州市泓創建設有限公司 Guangzhou Hongchuang Construction Co., Ltd.	07/11/2018	Limited liability company	Mainland China	Construction Development	RMB 50,000,000	RMB 5,000,000	-	100%	-
中山市景悅投資有限公司 Zhongshan Jingyue Investment Co., Ltd.	12/04/2019	Limited liability company	Mainland China	Property investment	RMB 50,000,000	RMB 50,000,000	-	95%	5%
中山市悅恒商業管理有限公司 Zhongshan Yueheng Corporate Management Co., Ltd. ("Zhongshan Yueheng")	20/09/2010	Limited liability company	Mainland China	Property management	RMB 500,000	RMB 500,000	-	95%	5%
湖南卓都物業服務有限公司 Hunan Zhuodu Property Services Co., Ltd.	08/01/2019	Limited liability company	Mainland China	Property management	RMB 3,000,000	RMB0	-	100%	-
景業名邦投資(威海)有限公司 Jingye Mingbang Investment (Weihai) Co., Ltd.	24/06/2019	Limited liability company	Mainland China	Investment holding	RMB 350,000,000	RMB 130,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
威海景隆投資發展有限公司 Weihai Jinglong Investment Development Co., Ltd.	04/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	-	100%	-
廣州景隆投資發展有限公司 Guangzhou Jinglong Investment Development Co., Ltd.	15/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	-	100%	-
肇慶卓都物業管理有限公司 Zhaqing Zhuodu Property Management Co., Ltd.	16/08/2019	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-

The English names of the companies 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 available.

The accumulated non-controlling interests as at 31 December 2019 was RMB100,455,000 (2018: RMB103,975,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

38 Disposal of subsidiaries

(a) Description

- (i) On 11 June 2019, Guangzhou Yinong entered into an equity transfer agreement with Guangzhou Henghui Investment Co., Ltd. (the “**Guangzhou Henghui**”), pursuant to which, Guangzhou Henghui acquired the 50.1% equity interest of Guangzhou Jinghong from Guangzhou Yinong at a consideration of RMB74.9 million, based on the equity interest of Guangzhou Jinghong, which is approximately to its fair value. The disposal was completed on 11 June 2019.
- (ii) On 30 June 2018, Jingye Holdings (HK) entered into an agreement with Asia Perfect Development Limited to dispose of Sure Fine together with its wholly-owned subsidiary, Well Power at a consideration of HK\$600 million, based on the fair value of Sure Fine. The transfer was completed on 18 October 2018.
- (iii) On 15 June 2018, Guangzhou Guangze and Guangdong Hengyue entered into an equity transfer agreement with Jinghengyue Holdings (HK) Limited (“**Jinghengyue HK**”), pursuant to which, Jinghengyue HK acquired 55% equity interest of Guangzhou Jinghengyue at a consideration of RMB110 million from Guangzhou Guangze. The consideration was based on the equity interest of Guangzhou Jinghengyue, which is approximately to its fair value. The transfer was completed on 15 June 2018.
- (iv) On 11 May 2018, Guangzhou Zhuodu entered into an equity transfer agreement with Juxin Business Management (Guangzhou) Co., Ltd. (“**Juxin Business Management**”), pursuant to which, Juxin Business Management acquired 100% equity interest of Guangzhou Juxin at a consideration of RMB3 million, based on the equity interest of Guangzhou Juxin, which is approximately to its fair value. The disposal was completed on 11 May 2018. On 28 June 2019, Guangzhou Zhuodu received the disposal consideration of Guangzhou Juxin.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

38 Disposal of subsidiaries (continued)

(b) Details of the disposal of the subsidiaries

During the years ended 31 December 2019 and 2018, the Group disposed of interests in the subsidiaries mentioned above to third parties. Details of the disposals are as follows:

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Disposal consideration		
— Cash to be received (<i>Note</i>)	—	3,000
— Cash received	74,893	642,620
Property, plant and equipment	—	224
Investment in an associate/a joint venture	20,401	24,500
Deferred income tax assets	50	4,120
Properties under development	—	313,823
Trade and other receivables and prepayments	163,697	466,845
Financial assets at fair value through profit or loss	—	13,000
Cash and cash equivalents	40	7,420
Trade and other payables	(169,055)	(325,574)
Non-controlling interests	54	(69,096)
Total net assets	15,187	435,262
Gains on disposal before income tax	59,706	210,358
Income tax expense	(14,217)	(1,832)
Gains on disposal	45,489	208,526
Cash proceeds	74,893	642,620
— Cash and cash equivalents of the subsidiaries disposed of	(40)	(7,420)
Net cash inflow on disposal	74,853	635,200

Note: On 30 June 2019, the outstanding cash of RMB3,000,000 as at 31 December 2018 was received.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Business combination

(a) Summary of acquisition

For the year ended 31 December 2019, the Group acquired a property holding company, which has been accounted for under business combination.

The financial information of the acquired company on the acquisition date is listed as follows:

	Year ended 31 December 2019 RMB'000
Purchase consideration (refer to (b) below):	
— Cash paid	118,482
Total purchase consideration	118,482
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade receivables, prepayments and other receivables	847
Completed properties held for sale	893,279
Bank and other borrowings	(410,940)
Trade and other payables	(232,392)
Deferred income tax liabilities	(132,312)
Net assets acquired	118,482

(b) Purchase consideration – cash outflow

	Year ended 31 December 2019 RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Total cash consideration	118,482
Total cash paid in current year	118,482
Net outflow of cash	118,482

(c) Acquired receivables

The fair value of trade receivables for the acquisition in 2019 was RMB847,000.

(d) Revenue and profit contribution

The acquired business in 2019 contributed revenues of RMB79,941,000 and profit of RMB657,000 to the Group for the period from the respective acquisition dates to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB2,426,022,000 and RMB493,508,000 respectively.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Business combination (continued)

- (e) Acquisition related cost
Acquisition-related costs of RMB255,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.
- (f) Apart from the business combination as described above, payments for acquisition of subsidiaries treated as assets deal by the Group, net of cash acquired, amounted to RMB43,861,000 for the year ended 31 December 2019 (2018: RMB86,583,000).

40 The Company's statement of financial position and reserve movement

- (a) The Company's statement of financial position is as follows:

	Notes	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		1,938,091	549,382
Current assets			
Other receivables and prepayments		1,220	–
Amounts due from subsidiaries		165,118	–
Restricted cash		492,679	–
Cash and cash equivalents		583,747	–
Dividend receivables		196,176	–
		1,438,940	–
Total assets		3,377,031	549,382
EQUITY			
Share capital	28	14,746	–
Other reserves	40(b)	2,232,168	549,382
Retained earnings/(accumulated losses)	40(b)	187,403	(78)
Total equity		2,434,317	549,304
LIABILITIES			
Current liabilities			
Other payables		2,145	78
Bank and other borrowings		940,569	–
		942,714	78
Total liabilities		942,714	78
Total equity and liabilities		3,377,031	549,382

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

40 The Company's statement of financial position and reserve movement (continued)

(b) Movement of the Company's other reserves is as follows:

	Notes	Other reserves RMB'000	(Accumulated loss)/profit RMB'000
At 2 November 2018 (date of incorporation)			
Deemed contribution		549,382	–
Loss for the period		–	(78)
At 31 December 2018		549,382	(78)
At 1 January 2019			
Capitalisation of loan due to ultimate controlling shareholder	29(a)	461,995	–
Issue of shares in connection with the capitalisation issue	29(b)	(10,749)	–
Issue of shares in connection with the Company's listing	29(b)	1,258,969	–
Share issuance cost	29(c)	(27,429)	–
Profit for the period		–	187,481
At 31 December 2019		2,232,168	187,403

41 Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group for the year ended 31 December 2019 are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fees, Salaries and other benefits	30,225	13,385
Pension costs	53	55
Total	30,278	13,440

(i) For the year ended 31 December 2019

Name of Directors	Salaries and other benefits	Contribution to retirement scheme	Fees	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	9,135	16	–	9,151
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	5,988	10	–	5,998
Mr. LIU Huaxi	6,110	7	–	6,117
Mr. XUE Shuangyou	3,642	10	–	3,652
Mr. WU Xinping	3,628	10	–	3,638
Ms. WEI Miaochang	1,722	–	–	1,722
	30,225	53	–	30,278

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

41 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2018

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
Executive Directors				
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	1,634	15	–	1,649
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	3,695	15	–	3,710
Mr. XUE Shuangyou	3,285	10	–	3,295
Mr. WU Xiping	3,090	10	–	3,100
Ms. WEI Miaochang	1,681	5	–	1,686
	13,385	55	–	13,440

Note:

Mr. CHAN Sze Ming Michael, Ms. ZHENG, Mr. WU, and Mr. XUE were appointed as the Company's executive directors on 2 November 2018.

Mr. LIU and Ms. WEI were appointed as the Company's executive directors on 24 May 2019.

Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung were appointed as the Company's independent non-executive directors on 13 November 2019.

No remunerations are paid or receivables in respect of accepting offices as director for the years ended 31 December 2019 and 2018.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2019 and 2018.

No director waived or agreed to waive any emoluments for the years ended 31 December 2019 and 2018.

(b) Directors' retirement benefits

For the years ended 31 December 2019 and 2018, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

For the years ended 31 December 2019 and 2018, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) Consideration provided to third parties for making available directors' services

For the years ended 31 December 2019 and 2018, the Company didn't pay to any third party for making available directors' services.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

41 Benefits and interests of directors (continued)

- (e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

For the years ended 31 December 2019 and 2018, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

- (f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the years ended 31 December 2019 and 2018.

42 Events after the statement of financial position date

- (a) Since January 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The directors have assessed the potential impact of the COVID-19 Outbreak to the Group as outlined below:

- The Group does not have property projects in Hubei, which severely affected by the COVID-19 Outbreak, the directors expect the epidemic would not have a significant impact on the Group's operating results in 2020.
- The Group's rental income and revenue from hotel operations in 2020 could possibly be affected by the epidemic temporarily. Given that the income from the both business lines contributed less than 5% to the Group, the directors expect the COVID-19 Outbreak would not have a significant impact on the Group's operating results in 2020.

The Group will closely monitor the development of the COVID-19 Outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

- (b) The Company issued senior notes in an aggregate principal amount of US\$150,000,000 in Hong Kong on 10 March 2020 (the "**2020 Note**"). The interest rate of the 2020 Note is fixed at 7.5% per annum. The 2020 Note will mature on 9 March 2021, and are puttable for early redemption at the principal amount at any time prior to 9 March 2021. The 2020 Note were listed on the Hong Kong Stock Exchange on 11 March 2020.

Financial Summary

	Year ended 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	2,402,810	1,328,887	838,259	640,675
Cost of sales	(1,258,578)	(816,297)	(568,089)	(476,230)
Gross profit	1,144,232	512,590	270,170	164,445
Selling and marketing expenses	(131,046)	(74,225)	(44,499)	(39,180)
Administrative expenses	(162,938)	(124,598)	(66,050)	(41,475)
Net impairment losses on financial assets	(236)	(170)	(336)	(34)
Other income	3,731	1,276	721	670
Other expenses	(3,098)	(2,759)	(2,858)	(2,746)
Other gain – net	61,021	230,570	36,618	60,379
Operating profit	911,666	542,684	193,766	142,059
Finance income/(costs) – net	1,386	649	(9,566)	672
Share of results of a joint venture	(158)	(2,781)	–	–
Share of results of associates	(1,387)	(1,282)	(792)	(228)
Profit before income tax	911,507	539,270	183,408	142,503
Income tax expenses	(416,590)	(157,511)	(97,330)	(57,996)
PROFIT FOR THE YEAR	494,917	381,759	86,078	84,507
Profit attributable to:				
Owners of the Company	501,517	386,486	89,789	84,507
Non-controlling interests	(6,600)	(4,727)	(3,711)	–
	494,917	381,759	86,078	84,507

	As at 31 December			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	939,639	977,422	907,830	569,212
Current assets	8,273,450	5,636,749	3,552,038	1,778,517
Total assets	9,213,089	6,614,171	4,459,868	2,347,729
Non-current liabilities	1,628,985	413,591	775,239	642,936
Current liabilities	4,764,695	5,547,301	3,318,378	1,636,080
Total liabilities	6,393,680	5,960,892	4,093,617	2,279,016
Net assets	2,819,409	653,279	366,251	68,713
Equity attributable to owners of the Company	2,718,954	549,304	193,858	68,713
Non-controlling interests	100,455	103,975	172,393	–
Total equity	2,819,409	653,279	366,251	68,713

Glossary

In this Annual Report, the following expressions have the following meanings unless the context requires otherwise:

“Adoption Date”	13 November 2019, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 28 May 2020 at 2:30 p.m.
“AGM Notice”	the notice convening the AGM set out on pages 22 to 27 of the circular of the Company dated 17 April 2020
“Articles”	the amended and restated articles of association of the Company as amended from time to time
“ASP”	average selling price
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“BVI”	the British Virgin Islands
“CG Code”	the principles of the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“close associates”	has the meaning ascribed thereto in the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as amended and revised) of the Cayman Islands
“Company” or “JY Grandmark”	JY Grandmark Holdings Limited (景業名邦集團控股有限公司), a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and for the purposes of this annual report, means each of Sze Ming Limited and Mr. CHAN Sze Ming Michael
“core connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Global Offering”	the global offering of shares of the Company as defined in the Prospectus
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“International Underwriters”	the underwriters for the International Placing (as defined in the Prospectus) entered into the International Underwriting Agreement

Glossary (Continued)

“International Underwriting Agreement”	the underwriting agreement relating to the International Placing (as defined in the Prospectus) to be entered into by, among others, the Company and the International Underwriters on 29 November 2019
“IPO”	initial public offering
“Listing Date”	Thursday, 5 December 2019, on which the Shares were first listed and from which dealings in the Shares were permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the amended and restated memorandum of association of the Company as amended from time to time
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Over-allotment Option”	the option granted by the Company to the International Underwriters under the International Underwriting Agreement
“PRC” or “China”	the People’s Republic of China, which for the purposes of this annual report excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“Prospectus”	the prospectus of the Company dated 25 November 2019
“Remuneration Committee”	the remuneration committee of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	a share option scheme approved and adopted by the Company on 13 November 2019
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“U.S.” or “United States”	the United States of America, its territories and possessions, any states of the United States and the District of Columbia
“US\$” or “U.S. dollars” or “US dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

* For ease of reference, the names of companies and entities established in China have been included in this annual report in English by way of translation if such Chinese entities do not have an English name as part of their legal name, and if there is any inconsistency between the Chinese names of the Chinese entities mentioned in this annual report and their English translations, the Chinese version shall prevail.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JY GRANDMARK HOLDINGS LIMITED AND DBS ASIA CAPITAL LIMITED

Introduction

We report on the historical financial information of JY Grandmark Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-122, which comprises the consolidated statements of financial position as at 31 December 2016, 2017, 2018 and 30 June 2019, the company's statements of financial position as at 31 December 2018 and 30 June 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-122 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 November 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *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.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 30 June 2019 and the consolidated financial position of the Group as at 31 December 2016, 2017, 2018 and 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by JY Grandmark Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

25 November 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (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.

(a) Consolidated statements of comprehensive income

	Notes	Year ended 31 December			Six months ended	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (Unaudited)	2019 RMB'000
Revenue	5	640,675	838,259	1,328,887	124,953	762,404
Cost of sales	6	(476,230)	(568,089)	(816,297)	(84,509)	(366,046)
Gross profit		164,445	270,170	512,590	40,444	396,358
Selling and marketing expenses	6	(39,180)	(44,499)	(74,225)	(19,530)	(40,787)
Administrative expenses	6	(41,509)	(66,386)	(124,768)	(54,866)	(71,912)
Other income	7	670	721	1,276	491	638
Other expenses	8	(2,746)	(2,858)	(2,759)	(1,211)	(1,204)
Other gains — net	9	60,379	36,618	230,570	22,926	61,865
Operating profit/(loss)		142,059	193,766	542,684	(11,746)	344,958
Finance costs	11	—	(10,537)	—	—	—
Finance income	11	672	971	649	388	452
Finance income/(costs) — net	11	672	(9,566)	649	388	452
Share of results of a joint venture	16	—	—	(2,781)	—	(158)
Share of results of associates	17	(228)	(792)	(1,282)	(559)	(650)
Profit/(loss) before income tax		142,503	183,408	539,270	(11,917)	344,602
Income tax expense	12	(57,996)	(97,330)	(157,511)	(7,211)	(163,427)
Profit/(loss) for the year/period		<u>84,507</u>	<u>86,078</u>	<u>381,759</u>	<u>(19,128)</u>	<u>181,175</u>
Profit/(loss) attributable to:						
Owners of the Company		84,507	89,789	386,486	(18,113)	185,003
Non-controlling interests		—	(3,711)	(4,727)	(1,015)	(3,828)
		<u>84,507</u>	<u>86,078</u>	<u>381,759</u>	<u>(19,128)</u>	<u>181,175</u>
Other comprehensive (loss)/income for the year/period						
Items that may be reclassified to profit or loss						
— Currency translation differences		(29,123)	35,356	(24,550)	(7,168)	(6,574)
Other comprehensive (loss)/income for the year/period, net of tax		<u>(29,123)</u>	<u>35,356</u>	<u>(24,550)</u>	<u>(7,168)</u>	<u>(6,574)</u>
Total comprehensive income/(loss) for the year/period		<u>55,384</u>	<u>121,434</u>	<u>357,209</u>	<u>(26,296)</u>	<u>174,601</u>
Total comprehensive income/(loss) attributable to:						
Owners of the Company		55,384	125,145	361,936	(25,281)	178,429
Non-controlling interests		—	(3,711)	(4,727)	(1,015)	(3,828)
		<u>55,384</u>	<u>121,434</u>	<u>357,209</u>	<u>(26,296)</u>	<u>174,601</u>
Earnings per share(expressed in RMB per share)						
— Basic and diluted earnings per share	13	<u>28,169</u>	<u>29,930</u>	<u>128,829</u>	<u>(6,038)</u>	<u>61,668</u>

Note: The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolution passed on 13 November 2019 (note 42(ii)) as the proposed capitalisation issue has not become effective as at the date of this report.

(b) Consolidated statements of financial position

	Notes	As at 31 December			As at
		2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	18	342,165	339,133	330,837	326,206
Right-of-use assets	19	28,214	266,247	262,703	258,215
Investment properties	20	140,043	173,178	184,275	185,573
Intangible assets	21	1,439	1,249	1,854	2,374
Other receivables and prepayments	24	1,050	13,155	12,969	12,998
Deferred income tax assets	15	18,901	78,260	128,899	157,188
Investment in a joint venture	16	—	—	20,559	—
Investment in associates	17	37,400	36,608	35,326	31,090
		<u>569,212</u>	<u>907,830</u>	<u>977,422</u>	<u>973,644</u>
Current assets					
Inventories		372	1,713	1,816	1,745
Contract costs	5	29,158	36,620	47,745	55,301
Properties under development	22	783,868	2,150,046	3,221,273	3,814,974
Completed properties held for sale	23	392,225	221,038	535,301	1,444,581
Trade and other receivables and prepayments	24	128,265	381,016	218,283	259,696
Prepaid taxes	24	30,085	137,579	147,602	145,735
Financial assets at fair value through profit or loss	25	14,000	50,800	600	—
Restricted cash	26	54,694	112,868	264,546	499,468
Cash and cash equivalents	27	255,950	297,662	218,881	497,358
Amounts due from related parties	37	89,900	162,696	980,702	67,951
		<u>1,778,517</u>	<u>3,552,038</u>	<u>5,636,749</u>	<u>6,786,809</u>
Total assets		<u><u>2,347,729</u></u>	<u><u>4,459,868</u></u>	<u><u>6,614,171</u></u>	<u><u>7,760,453</u></u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	28	—	—	—	—
Other reserves	29	26,025	74,857	62,643	56,069
Retained earnings	29	42,688	119,001	486,661	671,664
		<u>68,713</u>	<u>193,858</u>	<u>549,304</u>	<u>727,733</u>
Non-controlling interests		<u>—</u>	<u>172,393</u>	<u>103,975</u>	<u>103,227</u>
Total equity		<u><u>68,713</u></u>	<u><u>366,251</u></u>	<u><u>653,279</u></u>	<u><u>830,960</u></u>

		As at 31 December			As at
	Notes	2016	2017	2018	30 June
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	15	20,639	30,166	37,082	177,199
Bank and other borrowings	30	611,879	684,131	318,656	891,395
Lease liabilities	35	10,418	60,942	57,853	56,745
		<u>642,936</u>	<u>775,239</u>	<u>413,591</u>	<u>1,125,339</u>
Current liabilities					
Bank and other borrowings	30	120,909	437,414	439,436	776,607
Trade and other payables	31	958,211	2,189,698	3,900,146	3,570,488
Lease liabilities	35	4,055	3,431	2,120	2,039
Current income tax liabilities		14,496	58,542	85,466	91,682
Amounts due to related parties	37	538,409	629,293	1,120,133	1,363,338
		<u>1,636,080</u>	<u>3,318,378</u>	<u>5,547,301</u>	<u>5,804,154</u>
Total liabilities		<u>2,279,016</u>	<u>4,093,617</u>	<u>5,960,892</u>	<u>6,929,493</u>
Total equity and liabilities		<u>2,347,729</u>	<u>4,459,868</u>	<u>6,614,171</u>	<u>7,760,453</u>

(c) The Company statements of financial position

	<i>Notes</i>	As at 31 December 2018 <i>RMB'000</i>	As at 30 June 2019 <i>RMB'000</i>
ASSETS			
Non-current assets			
Investment in subsidiaries		549,382	549,382
Current assets			
Dividend receivables		—	192,736
Total assets		<u>549,382</u>	<u>742,118</u>
EQUITY			
Share capital	28	—	—
Other reserves	29	549,382	549,382
(Accumulated losses)/retained earnings	29	<u>(78)</u>	<u>192,736</u>
Total equity		<u>549,304</u>	<u>742,118</u>
LIABILITIES			
Current liabilities			
Other payables		78	—
Total liabilities		<u>78</u>	<u>—</u>
Total equity and liabilities		<u>549,382</u>	<u>742,118</u>

(d) Consolidated statements of changes in equity

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000			
Balance at 1 January 2016	—	(5,136)	(31,635)	(36,771)	—	(36,771)	
Comprehensive income							
- Profit for the year	—	—	84,507	84,507	—	84,507	
- Other comprehensive loss	—	(29,123)	—	(29,123)	—	(29,123)	
Total comprehensive income/(loss)	—	(29,123)	84,507	55,384	—	55,384	
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves	—	10,184	(10,184)	—	—	—	
Capital injections from ultimate controlling shareholder (Note 29(a))	—	50,100	—	50,100	—	50,100	
Total transactions with owners	—	60,284	(10,184)	50,100	—	50,100	
Balance at 31 December 2016	<u>—</u>	<u>26,025</u>	<u>42,688</u>	<u>68,713</u>	<u>—</u>	<u>68,713</u>	
Balance at 1 January 2017	—	26,025	42,688	68,713	—	68,713	
Comprehensive income							
- Profit/(loss) for the year	—	—	89,789	89,789	(3,711)	86,078	
- Other comprehensive income	—	35,356	—	35,356	—	35,356	
Total comprehensive income/(loss)	—	35,356	89,789	125,145	(3,711)	121,434	
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves	—	13,476	(13,476)	—	—	—	
Capital injections from non-controlling interests (Note 36(a))	—	—	—	—	175,710	175,710	
Acquisition of a subsidiary	—	—	—	—	394	394	
Total transactions with owners	—	13,476	(13,476)	—	176,104	176,104	
Balance at 31 December 2017	<u>—</u>	<u>74,857</u>	<u>119,001</u>	<u>193,858</u>	<u>172,393</u>	<u>366,251</u>	

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018	—	74,857	119,001	193,858	172,393	366,251
Comprehensive income						
- Profit/(loss) for the year	—	—	386,486	386,486	(4,727)	381,759
- Other comprehensive loss	—	(24,550)	—	(24,550)	—	(24,550)
Total comprehensive income/(loss)	—	(24,550)	386,486	361,936	(4,727)	357,209
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	—	18,826	(18,826)	—	—	—
Disposal of subsidiaries	—	—	—	—	(69,096)	(69,096)
Capital injections from non-controlling interests (Note 36(b))	—	—	—	—	4,405	4,405
Capital injections from ultimate controlling shareholder (Note 29(b))	—	9,800	—	9,800	—	9,800
Deemed distributions to ultimate controlling shareholder (Note 29(b))	—	(60,100)	—	(60,100)	—	(60,100)
Capitalisation of loan due to ultimate controlling shareholder (Note 29(c))	—	43,810	—	43,810	—	43,810
Acquisition of a subsidiary	—	—	—	—	1,000	1,000
Total transactions with owners	—	12,336	(18,826)	(6,490)	(63,691)	(70,181)
Balance at 31 December 2018	—	62,643	486,661	549,304	103,975	653,279
Balance at 1 January 2019	—	62,643	486,661	549,304	103,975	653,279
Comprehensive income						
- Profit/(loss) for the period	—	—	185,003	185,003	(3,828)	181,175
- Other comprehensive loss	—	(6,574)	—	(6,574)	—	(6,574)
Total comprehensive income/(loss)	—	(6,574)	185,003	178,429	(3,828)	174,601
Transactions with owners in their capacity as owners:						
Disposal of a subsidiary	—	—	—	—	54	54
Capital injections from non-controlling interests (Note 36(c))	—	—	—	—	3,026	3,026
Total transactions with owners	—	—	—	—	3,080	3,080
Balance at 30 June 2019	—	56,069	671,664	727,733	103,227	830,960

	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
(Unaudited)						
Balance at 1 January 2018	—	74,857	119,001	193,858	172,393	366,251
Comprehensive loss						
- Loss for the period	—	—	(18,113)	(18,113)	(1,015)	(19,128)
- Other comprehensive loss	—	(7,168)	—	(7,168)	—	(7,168)
Total comprehensive loss	—	(7,168)	(18,113)	(25,281)	(1,015)	(26,296)
Transactions with owners in their capacity as owners:						
Disposal of subsidiaries	—	—	—	—	(69,096)	(69,096)
Capital injections from non-controlling interests (Note 36(b))	—	—	—	—	4,405	4,405
Capital injection from ultimate controlling shareholder (Note 29(b))	—	9,800	—	9,800	—	9,800
Deemed distributions to ultimate controlling shareholder (Note 29(b))	—	(50,100)	—	(50,100)	—	(50,100)
Total transactions with owners	—	(40,300)	—	(40,300)	(64,691)	(104,991)
Balance at 30 June 2018	<u>—</u>	<u>27,389</u>	<u>100,888</u>	<u>128,277</u>	<u>106,687</u>	<u>234,964</u>

(e) Consolidated statements of cash flows

	Notes	Year ended 31 December			Six months ended	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (Unaudited)	2019 RMB'000
Cash flows from operating activities						
Cash generated from/ (used in) operations	32	333,126	(85,241)	42,848	432,310	(148,279)
Income tax paid		(59,633)	(128,390)	(189,660)	(155,756)	(158,616)
Interest paid		(40,771)	(56,940)	(63,003)	(35,588)	(56,124)
Net cash generated from/(used in) operating activities		<u>232,722</u>	<u>(270,571)</u>	<u>(209,815)</u>	<u>240,966</u>	<u>(363,019)</u>
Cash flows from investing activities						
Payments for acquisition of subsidiaries, net of cash acquired		(5,564)	(152,939)	(86,583)	—	(157,594)
Proceeds from disposal of subsidiaries, net of cash disposed of	39	—	—	635,200	103,928	77,853
Purchases of property, plant and equipment		(176,896)	(12,976)	(8,947)	(2,869)	(4,618)
Proceeds from disposal of property, plant and equipment	32(b)	—	165	243	52	—
Purchases of investment properties		(81,071)	—	—	—	—
Purchases of intangible assets		(1,482)	(207)	(1,096)	(45)	(806)
Net cash (outflow)/inflow from financial assets at fair value through profit or loss		(14,000)	(36,800)	37,200	(24,300)	600
Investment in an associate		(37,628)	—	(24,500)	(24,500)	—
Investment in a joint venture		—	—	(23,340)	—	—
Cash advanced to related parties		(13,200)	(75,796)	(287,241)	(8,688)	—
Cash repayments from related parties		—	—	—	—	891,000
Payments to original shareholder and non- controlling interest of a subsidiary acquired	31(b)	—	—	—	—	(715,152)
Interest received on financial assets at fair value through profit or loss		1,409	3,593	9,123	6,760	870
Interest received		672	971	649	388	452
Net cash (used in)/ generated from investing activities		<u>(327,760)</u>	<u>(273,989)</u>	<u>250,708</u>	<u>50,726</u>	<u>92,605</u>

	Notes	Year ended 31 December			Six months ended 30 June	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Cash flows from						
financing activities						
Proceeds from borrowings	32(c)	384,950	510,649	262,502	25,312	905,968
Repayment of borrowings	32(c)	(93,850)	(168,192)	(690,735)	(245,379)	(406,998)
Advances from related parties		—	93,784	566,077	143,092	271,097
Repayments of related parties		(28,346)	—	—	—	—
Deemed distributions to ultimate controlling shareholder		—	—	(60,100)	(50,100)	—
Capital injection from non-controlling interests		—	175,710	4,405	4,405	3,026
Capital injection from ultimate controlling shareholder		50,100	—	9,800	9,800	—
Payment for listing related expenses		—	—	(1,932)	(1,056)	(1,473)
Increase in restricted cash for securing bank borrowings		—	—	(208,561)	—	(221,451)
Lease payment	32(c)	(2,078)	(21,232)	(9,327)	(6,725)	(1,352)
Net cash generated from/(used in) financing activities		<u>310,776</u>	<u>590,719</u>	<u>(127,871)</u>	<u>(120,651)</u>	<u>548,817</u>
Net increase/(decrease) in cash and cash equivalents						
Exchange gains/(losses) on cash and cash equivalents		215,738	46,159	(86,978)	171,041	278,403
Cash and cash equivalents at beginning of year/period		<u>31,409</u>	<u>255,950</u>	<u>297,662</u>	<u>297,662</u>	<u>218,881</u>
Cash and cash equivalents at end of year/period	27	<u><u>255,950</u></u>	<u><u>297,662</u></u>	<u><u>218,881</u></u>	<u><u>469,514</u></u>	<u><u>497,358</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganisation and basis of presentation****1.1 General information**

The Company was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in property development, property management, hotel operations and commercial property investment in the People's Republic of China (the "PRC") (the "Listing Business"). The ultimate holding company of the Company is Sze Ming Limited ("Sze Ming"). The ultimate controlling shareholder of the Company is Mr. Chan Sze Ming Michael ("Mr. Michael Chan").

1.2 Reorganisation

Prior to the completion of the reorganisation (the "Reorganisation"), the Listing Business was carried out by Jingye Holdings Limited (景業控股有限公司) (the "Jingye Holdings") and its subsidiaries, Jingye Health Industry Holdings Limited (景業健康產業控股有限公司) (the "Jingye Health Industry Holdings") and its subsidiaries, Shunbang Investment Management Holdings Limited (舜邦投資管理控股有限公司) (the "Shunbang Holdings") and its subsidiaries, Guangzhou Shun'an Health Industry Management Co., Ltd. (廣州市舜安健康產業管理有限公司) (the "Guangzhou Shun'an") and its subsidiary, Guangzhou Zhuosidao Hotel Management Co., Ltd. (廣州卓思道酒店管理有限公司) (the "Guangzhou Just Stay") and Guangzhou Shunbang Investment Management Co., Ltd. (廣州市舜邦投資管理有限公司) (the "Guangzhou Shunbang") (collectively, the "Operating Entities"). The Operating Entities, which constitute the Listing Business, were wholly owned by Mr. Michael Chan directly or indirectly through Ms. Tan Yuxing and Ms. Su Lifan (the "Nominees"; Guangzhou Shun'an, Guangzhou Just Stay and Guangzhou Shunbang were held by the Nominees on behalf of Mr. Michael Chan) before reorganisation.

In preparation for the initial listing of the shares of the Company on The Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the Reorganisation as follows:

- (i) On 7 December 2017, Jingye Holdings acquired 100% equity interest in Jingye Health Industry Holdings from Mr. Michael Chan. As a result, Jingye Health Industry Holdings became a wholly-owned subsidiary of Jingye Holdings.

On 30 May 2018, Guangdong Jingye Health Industry Development Co., Ltd., ("Jingye Health") a wholly-owned subsidiary of Jingye Health Industry Holdings, acquired the entire equity interest in Guangzhou Shun'an from the Nominees. As a result, Guangzhou Shun'an became a wholly-owned subsidiary of Jingye Holdings.

- (ii) On 23 April 2018, Shunbang Corporate Management (Guangzhou) Co., Ltd. ("Shunbang Corporate Management") was incorporated in the PRC by Shunbang Investment Management (HK) Limited ("Shunbang (HK)"), a wholly-owned subsidiary of Shunbang Holdings.

On 25 April 2018, Shunbang Corporate Management acquired 80% equity interest of Guangzhou Shunbang by capital injection of RMB40 million.

On 28 May 2018, Jingye Holdings acquired 100% equity interest in Shunbang Holdings from Mr. Michael Chan. As a result, Shunbang Holdings became a wholly-owned subsidiaries of Jingye Holdings.

On 27 July 2018, Shunbang Corporate Management acquired remaining 20% equity interest of Guangzhou Shunbang from the ultimate controlling shareholder through the Nominees by consideration of RMB10 million. Upon the acquisition, Guangzhou Shunbang became a wholly-owned subsidiary of Shunbang Holdings.

- (iii) On 27 March 2018, Zhuosidao Hotel Management Holdings Limited (“Zhuosidao Hotel Management Holdings”) was incorporated in the British Virgin Islands (“BVI”). On 20 April 2018, one share was issued and allotted to Jingye Holdings.

On 30 April 2018, Jingye Hotel Management (HK) Limited (“Jingye Hotel Management (HK)”) was incorporated in Hong Kong. On the same date, 10 shares in Jingye Hotel Management (HK) were issued and allotted to Zhuosidao Hotel Management Holdings.

On 15 June 2018, Jingye Hotel Management (HK) acquired the entire equity interest in Guangzhou Just Stay from the Nominees. As a result, Guangzhou Just Stay became an indirect wholly-owned subsidiary of Jingye Holdings.

- (iv) On 4 September 2018, Chan S. M. Michael Family Trust was setup in the BVI by Mr. Michael Chan who is the settlor and the protector, with IQ EQ (BVI) Limited acting as the trustee.
- (v) On 14 September 2018, Sze Ming Limited (思銘有限公司) (“Sze Ming”) was incorporated in the BVI. On the same date, Sze Ming issued and allotted 1,000 shares to IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust.
- (vi) On 2 November 2018, the Company was incorporated in the Cayman Islands. On the same date, one share of Hong Kong Dollar (“HK\$”) 0.01 was allotted and issued to a third party initial subscriber and transfer to Sze Ming.
- (vii) On 28 December 2018, Mr. Michael Chan and the Company entered into an agreement for the sale and purchase of the entire issued share capital and the assignment of the shareholder loan in the amount of HK\$50 million (RMB43.8 million) due from Jingye Holdings, in consideration of the Company allotting and issuing two shares to Sze Ming. On the same date, Jingye Holdings and the Company entered into a deed of loan capitalisation, pursuant to which Jingye Holdings repaid the loan of HK\$50 million (RMB43.8 million) owed by Jingye Holdings to the Company by allotment and issue of 100 shares of Jingye Holdings to the Company. Upon completion of the agreement and the deed, Jingye Holdings became a wholly-owned subsidiary of the Company.

(viii) On 12 November 2019, the Company repaid the loan in the approximately amount of HK\$515.7 million (RMB453.9 million) owed by the Company to Mr. Michael Chan by the allotment and issue of one Share to Sze Ming as directed by Mr. Michael Chan.

Upon the completion of the Reorganisation, the Company became the holding company of the Operating Entities.

The subsidiaries in which the Company had direct or indirect interests upon completion of the Reorganisation and as at the date of this report are set out in Note 38.

1.3 *Basis of presentation*

Immediately prior to and after the Reorganisation, the Listing Business, which is mainly conducted through the Operating Entities, were controlled by Mr. Michael Chan. Pursuant to the Reorganisation, the business of the Operating Entities, were transferred to and held by the Company. As the Company had not been involved in any other business prior to the Reorganisation and does not meet the definition of a business, the Reorganisation is regarded as a business combination under common control and the ultimate controlling shareholder of the Listing Business remains the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuance of the Listing Business under the Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the operating entities, with the assets and liabilities of the Group recognised and measured as the carrying amount of the Listing Business under the consolidated financial statements of the Operating Entities for the years presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of preparation*

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

HKFRS 9, "Financial instruments" and HKFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after 1 January 2018. HKFRS 16 "Leases" is effective for annual/periods beginning on or after 1 January 2019 and early adopted by the Group. The Group has applied HKFRS 9, HKFRS 15 and HKFRS 16 consistently throughout the Track Record Period.

The following new standards, amendments to existing standards and interpretation to existing standards that have been published but are not effective for the Track Record Period and have not been early adopted.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	effective date to be determined
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group's assessment of these new standards did not identify a significant impact on the Group's financial performance and position.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements and the consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investment in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or

exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognise the amount adjacent to "share of results of a joint venture" in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within 'finance cost — net'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'Other gains — net'.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of some group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the group entities are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-70 years
Vehicles and machinery	3-5 years
Others	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains — net' in profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of lands during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.8 *Intangible assets*

Intangible assets mainly comprised of computer software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 *Investment properties*

Investment properties, principally comprising retail properties, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each statement of financial position date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Other gains — net' in the consolidated statement of comprehensive income.

Completed properties held for sale are transferred to investment properties when it is evidenced by a change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 *Impairment of non-financial assets*

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 *Inventories*

Inventories mainly comprise of hotel goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costs method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.12 *Properties under development and completed properties held for sale*

2.12.1 *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

2.12.2 *Completed properties held for sale*

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.13 *Financial assets*

2.13.1 *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 *Recognition and measurement*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of

a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost is measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other gains — net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains — net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.14 *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

2.15 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.16 *Land use rights under properties under development and completed properties held for sale*

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are included in properties under development or completed properties held for sale.

2.17 *Trade and other receivables*

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables and prepayments is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 3.1 for a description of the Group's impairment policies.

2.18 *Contract assets and liabilities and costs for obtaining contracts*

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract costs if the Group expects to recover these costs.

2.19 *Cash and cash equivalents and restricted cash*

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.20 *Share capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.21 *Trade and other payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.24 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 *Employee benefits*

(a) *Pension obligations*

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Housing funds, medical insurances and other social insurances*

PRC employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) *Mandatory Provident Fund Scheme*

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

2.26 *Provisions and contingent liabilities*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.27 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) *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:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

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 that best depict the Group's performance in satisfying the performance obligation.

In determine 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 contracts 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.

(b) *Hotel operations*

Revenue from hotel operations is recognised in the accounting period in which the services are rendered.

(c) *Rental income*

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the terms of lease.

(d) *Property management*

Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered.

(e) *Financial components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.28 *Dividend income*

Dividends are recognised as revenue when the right to receive payment is established.

2.29 *Leases*

The Group leases various lands, buildings and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment below USD5,000.

(a) *Variable lease payments*

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liabilities, but they are recognised in the consolidated statements of comprehensive income when the event or condition that triggers those payments occurs.

(b) *Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(c) *Residual value guarantees*

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liabilities. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.30 *Dividend distribution*

Dividend distribution to the owners of the Company is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the owners or directors of the Company where appropriate.

2.31 *Financial guarantee contracts*

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments'; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 'Revenue from Contracts with Customers'.

The fair value of financial guarantees 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 associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.32 *Earnings per share*

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

The profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 **Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 *Financial risk factors*3.1.1 *Foreign exchange risk*

The Group's businesses are principally conducted in RMB. As at 31 December 2016, 2017, 2018 and 30 June 2019, major non-RMB assets and liabilities are cash and cash equivalent, restricted cash, trade and other receivables and prepayments, amounts due from related parties, trade and other payables, amounts due to related parties and borrowings, which are denominated in HK\$ or US Dollar ("USD"). Fluctuation of the exchange rate of RMB against HK\$ or USD could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective dates of consolidated statements of financial position are as follows:

Financial assets	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	4,895	7,033	97,656	68,375
USD	—	—	211,209	452,271
	<u>4,895</u>	<u>7,033</u>	<u>308,865</u>	<u>520,646</u>

Financial liabilities	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	<u>631,950</u>	<u>792,799</u>	<u>1,151,984</u>	<u>1,745,529</u>

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effects of total comprehensive income for the periods are as follows:

	Change of total comprehensive income increase/(decrease)			As at
	As at 31 December			30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
RMB against HK\$:				
Strengthened by 5%	23,515	29,466	39,537	62,893
Weakened by 5%	<u>(23,515)</u>	<u>(29,466)</u>	<u>(39,537)</u>	<u>(62,893)</u>

	Change of total comprehensive income (decrease)/increase			As at
	As at 31 December			30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
RMB against USD:				
Strengthened by 5%	—	—	(7,920)	(16,960)
Weakened by 5%	<u>—</u>	<u>—</u>	<u>7,920</u>	<u>16,960</u>

3.1.2 Cash flow and fair value interest rate risks

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at floating rates.

As at 31 December 2016, 2017, 2018 and 30 June 2019, bank and other borrowings of the Group bearing floating interest rates amounted to approximately RMB732,788,000, RMB1,121,545,000, RMB558,092,000 and RMB1,268,002,000, respectively. As at 31 December 2016, 2017, 2018 and 30 June 2019, if interest rates on borrowings at floating rates had been 50 basis points higher/lower with all other variables held constant, interest charges for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019 would increase/decrease by approximately RMB3,664,000, RMB5,608,000, RMB2,790,000 and RMB6,340,000, respectively, most of which would have been capitalised in qualified assets.

3.1.3 Credit risk

The Group has no concentrations on credit risk. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheets.

Cash transactions are limited to high credit quality institutions. Deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 33. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

For the trade receivables arising from hotel operating and commercial property, due to the aging of receivables is totally under 90 days, and no bad debt is found in history, the Group considers that the credit risk is immaterial.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were not material during the Track Record Period.

(i) *Trade receivables*

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Management has closely monitored the credit qualities and the collectability of trade receivables and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero. No loss allowance provision is made for trade receivables during the Track Record Period.

(ii) *Other receivables and amounts due from related parties*

Other financial assets at amortised cost include other receivables from third parties and amounts due from related parties.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting dates, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

The loss allowance provision for other receivables from third parties as at 31 December 2016, 2017, 2018 and 30 June 2019 reconcile to the opening loss allowance for that provision as follows:

	Other receivables <i>RMB'000</i>
Year ended 31 December 2016	
At 1 January 2016	107
Provision for loss allowance recognised in profit or loss	<u>34</u>
At 31 December 2016	<u><u>141</u></u>
Year ended 31 December 2017	
At 1 January 2017	141
Provision for loss allowance recognised in profit or loss	<u>336</u>
At 31 December 2017	<u><u>477</u></u>
Year ended 31 December 2018	
At 1 January 2018	477
Provision for loss allowance recognised in profit or loss	<u>170</u>
At 31 December 2018	<u><u>647</u></u>
Period ended 30 June 2019	
At 1 January 2019	647
Provision for loss allowance recognised in profit or loss	<u>(78)</u>
At 30 June 2019	<u><u>569</u></u>

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the provision for loss allowance were recognised in profit or loss in administrative expenses in relation to the impaired other receivables.

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the average expected loss rate on the gross carrying amount of other receivables excluding deposits for acquisitions of land use rights and property development projects was 1%, 3%, 2% and 1% respectively. Expected loss of deposits for acquisitions of land use rights and property development projects was not material during the Track Record Period as there was no recent history of default and management considered the credit risk is low.

As at 31 December 2016, 2017, 2018 and 30 June 2019, the maximum exposure to loss of other receivables from third parties and related parties were the carrying amount.

3.1.4 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholder and related parties. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

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

The table below sets out the Group's financial liabilities by relevant maturity grouping at each statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2016					
Bank and other borrowings	159,026	176,849	235,653	313,165	884,693
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	502,878	—	—	—	502,878
Amounts due to related parties	538,409	—	—	—	538,409
Lease liabilities	4,668	3,203	6,333	2,005	16,209
Guarantee in respect of mortgage facilities for certain purchasers	331,417	—	—	—	331,417
	<u>1,536,398</u>	<u>180,052</u>	<u>241,986</u>	<u>315,170</u>	<u>2,273,606</u>

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2017					
Bank and other borrowings	493,828	303,081	255,638	219,913	1,272,460
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	753,446	—	—	—	753,446
Amounts due to related parties	629,293	—	—	—	629,293
Lease liabilities	6,479	6,029	10,849	142,472	165,829
Guarantee in respect of mortgage facilities for certain purchasers	638,253	—	—	—	638,253
	<u>2,521,299</u>	<u>309,110</u>	<u>266,487</u>	<u>362,385</u>	<u>3,459,281</u>
As at 31 December 2018					
Bank and other borrowings	481,533	68,148	162,199	160,931	872,811
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,611,300	—	—	—	1,611,300
Amounts due to related parties	1,120,133	—	—	—	1,120,133
Lease liabilities	5,029	4,166	9,975	139,217	158,387
Guarantee in respect of mortgage facilities for certain purchasers	894,058	—	—	—	894,058
	<u>4,112,053</u>	<u>72,314</u>	<u>172,174</u>	<u>300,148</u>	<u>4,656,689</u>
As at 30 June 2019					
Bank and other borrowings	848,230	289,638	235,821	542,186	1,915,875
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,334,117	—	—	—	1,334,117
Amounts due to related parties	1,363,338	—	—	—	1,363,338
Lease liabilities	4,871	3,327	9,976	137,548	155,722
Guarantee in respect of mortgage facilities for certain purchasers	994,507	—	—	—	994,507
	<u>4,545,063</u>	<u>292,965</u>	<u>245,797</u>	<u>679,734</u>	<u>5,763,559</u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (excluding non-interest bearing items) less total of cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net borrowings.

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Borrowings	732,788	1,121,545	758,092	1,668,002
Lease liabilities	14,473	64,373	59,973	58,784
Less: cash and cash equivalents	(255,950)	(297,662)	(218,881)	(497,358)
restricted cash	(54,694)	(112,868)	(264,546)	(499,468)
Net borrowings	436,617	775,388	334,638	729,960
Total equity	68,713	366,251	653,279	830,960
Total capital	505,330	1,141,639	987,917	1,560,920
Gearing ratio	86%	68%	34%	47%

The decrease in the gearing ratio from 31 December 2016 to 31 December 2018 mainly resulted from the net increase of capital injection and retained earnings. The increase in the gearing ratio from 31 December 2018 to 30 June 2019 mainly resulted from the increase of borrowings.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016, 2017, 2018 and 30 June 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

See Note 20 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2016, 2017, 2018 and 30 June 2019 by level of the inputs to valuation techniques used to measure fair value:

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2016				
Financial assets at fair value through profit or loss	—	—	14,000	14,000
At 31 December 2017				
Financial assets at fair value through profit or loss	—	—	50,800	50,800
At 31 December 2018				
Financial assets at fair value through profit or loss	—	—	600	600
At 30 June 2019				
Financial assets at fair value through profit or loss	—	—	—	—

(i) *Financial instruments in level 3*

The fair value of financial assets at fair value through profit or loss in level 3 is estimated by discounted cash flows at rates that reflect management's best estimation of the expected risk level. The significant unobservable inputs of the valuation techniques include expected future cash flow, expected recovery date and discount rates that correspond to the expected risk level.

The fair value of financial instruments included in level 3 is disclosed in Note 25.

Financial assets	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	level 3	Discounted cash flows that are estimated based on expected future cash flows, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow. Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the years ended 31 December 2016, 2017 and 2018 would have been approximately RMB1,400,000 higher/lower, RMB5,080,000 higher/lower and RMB60,000 higher/lower, respectively. As at 30 June 2019, there is no financial assets at fair value through profit or loss held by the Group.

3.4 *Financial instruments by category*

	At 31 December 2016		
	Assets at fair value through profit or loss <i>RMB'000</i>	Assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Assets as per consolidated statements of financial position			
Trade and other receivables (excluding prepayments)	—	72,020	72,020
Amounts due from related parties	—	89,900	89,900
Restricted cash	—	54,694	54,694
Cash and cash equivalents	—	255,950	255,950
Financial assets at fair value through profit or loss	14,000	—	14,000
	<u>14,000</u>	<u>—</u>	<u>14,000</u>
Total	<u>14,000</u>	<u>472,564</u>	<u>486,564</u>

	At 31 December 2017		
	Assets at fair value through profit or loss <i>RMB'000</i>	Assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Assets as per consolidated statements of financial position			
Trade and other receivables (excluding prepayments)	—	181,675	181,675
Amounts due from related parties	—	162,696	162,696
Restricted cash	—	112,868	112,868
Cash and cash equivalents	—	297,662	297,662
Financial assets at fair value through profit or loss	50,800	—	50,800
	<u>50,800</u>	<u>—</u>	<u>50,800</u>
Total	<u>50,800</u>	<u>754,901</u>	<u>805,701</u>

At 31 December 2018

	Assets at fair value through profit or loss <i>RMB'000</i>	Assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Assets as per consolidated statements of financial position			
Trade and other receivables (excluding prepayments)	—	99,245	99,245
Amounts due from related parties	—	980,702	980,702
Restricted cash	—	264,546	264,546
Cash and cash equivalents	—	218,881	218,881
Financial assets at fair value through profit or loss	600	—	600
Total	<u>600</u>	<u>1,563,374</u>	<u>1,563,974</u>

At 30 June 2019

	Assets at fair value through profit or loss <i>RMB'000</i>	Assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Assets as per consolidated statements of financial position			
Trade and other receivables (excluding prepayments)	—	100,454	100,454
Amounts due from related parties	—	67,951	67,951
Restricted cash	—	499,468	499,468
Cash and cash equivalents	—	497,358	497,358
Total	<u>—</u>	<u>1,165,231</u>	<u>1,165,231</u>

	At 31 December 2016	
	Liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per consolidated statements of financial position		
Bank and other borrowings	732,788	732,788
Amounts due to related parties	538,409	538,409
Lease liabilities	14,473	14,473
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	502,878	502,878
	<u>1,788,548</u>	<u>1,788,548</u>
Total	<u><u>1,788,548</u></u>	<u><u>1,788,548</u></u>

	At 31 December 2017	
	Liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per consolidated statements of financial position		
Bank and other borrowings	1,121,545	1,121,545
Amounts due to related parties	629,293	629,293
Lease liabilities	64,373	64,373
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	753,446	753,446
	<u>2,568,657</u>	<u>2,568,657</u>
Total	<u><u>2,568,657</u></u>	<u><u>2,568,657</u></u>

	At 31 December 2018	
	Liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per consolidated statements of financial position		
Bank and other borrowings	758,092	758,092
Amounts due to related parties	1,120,133	1,120,133
Lease liabilities	59,973	59,973
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,611,300	1,611,300
	<u>3,549,498</u>	<u>3,549,498</u>
Total	<u><u>3,549,498</u></u>	<u><u>3,549,498</u></u>

	At 30 June 2019	
	Liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per consolidated statements of financial position		
Bank and other borrowings	1,668,002	1,668,002
Amounts due to related parties	1,363,338	1,363,338
Lease liabilities	58,784	58,784
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,334,117	1,334,117
	<u>4,424,241</u>	<u>4,424,241</u>
Total	<u>4,424,241</u>	<u>4,424,241</u>

4 Critical accounting estimates and judgements

(a) *Estimates for net realisable value of properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2016, 2017, 2018 and 30 June 2019.

(b) *Fair value of investment properties*

The Group assesses the fair value of its completed investment properties based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value gains from investment properties are disclosed in Note 20.

(c) *Income taxes and deferred taxation*

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

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

(d) *PRC land appreciation tax ("LAT")*

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

5 Revenue and segment information

(a) *Description of segments and principal activities*

The executive directors, as the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical information is presented.

(b) *Segment performance*

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	624,669	—	13,623	316	638,608
Recognised at a point in time	624,669	—	—	—	624,669
Recognised over time	—	—	13,623	316	13,939
Revenue from other sources: rental income	—	2,875	—	—	2,875
Inter-segment revenue	—	(808)	—	—	(808)
Revenue from external customers	624,669	2,067	13,623	316	640,675
Gross profit	162,187	1,477	1,524	(743)	164,445
Selling and marketing expenses					(39,180)
Administrative expenses					(41,509)
Other income					670
Other expenses					(2,746)
Other gains — net					60,379
Finance income — net					672
Share of results of an associate (Note 17)	(228)	—	—	—	(228)
Profit before income tax					142,503
Income tax expense					(57,996)
Profit for the year					84,507
Depreciation and amortisation	3,654	—	3,458	4	7,116
Fair value gains on investment properties — net (Note 20)	—	58,972	—	—	58,972
Segment assets	1,797,685	159,959	350,202	6,982	2,314,828
Segment assets include:					
Interests in an associate (Note 17)	37,400	—	—	—	37,400
Addition to non-current assets (other than financial instruments and deferred income tax assets)	35,160	81,071	183,423	56	299,710
Segment liabilities	1,475,408	5,930	8,264	21,491	1,511,093

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	783,406	—	46,400	3,143	832,949
Recognised at a point in time	783,406	—	—	—	783,406
Recognised over time	—	—	46,400	3,143	49,543
Revenue from other sources: rental income	—	8,412	—	—	8,412
Inter-segment revenue	—	(2,786)	(316)	—	(3,102)
Revenue from external customers	783,406	5,626	46,084	3,143	838,259
Gross profit	285,486	4,442	(18,892)	(866)	270,170
Selling and marketing expenses					(44,499)
Administrative expenses					(66,386)
Other income					721
Other expenses					(2,858)
Other gains — net					36,618
Finance costs — net					(9,566)
Share of results of an associate (Note 17)	(792)	—	—	—	(792)
Profit before income tax					183,408
Income tax expense					(97,330)
Profit for the year					86,078
Depreciation and amortisation	7,720	—	16,180	15	23,915
Fair value gains on investment properties — net (Note 20)	—	33,135	—	—	33,135
Segment assets	3,803,135	180,274	346,058	1,341	4,330,808
Segment assets include:					
Interests in an associate (Note 17)	36,608	—	—	—	36,608
Addition to non-current assets (other than financial instruments and deferred income tax assets)	248,880	—	10,542	—	259,422
Segment liabilities	2,846,237	3,375	17,446	16,306	2,883,364

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	1,245,754	—	66,903	7,942	1,320,599
Recognised at a point in time	1,245,754	—	—	—	1,245,754
Recognised over time	—	—	66,903	7,942	74,845
Revenue from other sources: rental income	—	15,434	—	—	15,434
Inter-segment revenue	—	(5,413)	(314)	(1,419)	(7,146)
Revenue from external customers	1,245,754	10,021	66,589	6,523	1,328,887
Gross profit	503,733	8,953	421	(517)	512,590
Selling and marketing expenses					(74,225)
Administrative expenses					(124,768)
Other income					1,276
Other expenses					(2,759)
Other gains — net					230,570
Finance income — net					649
Share of results of a joint venture (Note 16)	(2,781)	—	—	—	(2,781)
Share of results of an associate (Note 17)	(1,282)	—	—	—	(1,282)
Profit before income tax					539,270
Income tax expense					(157,511)
Profit for the year					381,759
Depreciation and amortisation	9,477	—	16,071	38	25,586
Fair value gains on investment properties — net (Note 20)	—	11,097	—	—	11,097
Segment assets	5,742,952	396,045	334,903	10,772	6,484,672
Segment assets include:					
Interests in a joint venture (Note 16)	20,559	—	—	—	20,559
Interests in an associate (Note 17)	35,326	—	—	—	35,326
Addition to non-current assets (other than financial instruments and deferred income tax assets)	10,847	—	3,839	132	14,818
Segment liabilities	5,050,188	1,816	20,318	7,930	5,080,252

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2019 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	712,535	—	37,077	5,592	755,204
Recognised at a point in time	712,535	—	—	—	712,535
Recognised over time	—	—	37,077	5,592	42,669
Revenue from other sources: rental income	—	11,789	—	—	11,789
Inter-segment revenue	—	(4,071)	(518)	—	(4,589)
Revenue from external customers	712,535	7,718	36,559	5,592	762,404
Gross profit	390,252	7,262	200	(1,356)	396,358
Selling and marketing expenses					(40,787)
Administrative expenses					(71,912)
Other income					638
Other expenses					(1,204)
Other gains — net					61,865
Finance income — net					452
Share of results of a joint venture (Note 16)	(158)	—	—	—	(158)
Share of results of an associate (Note 17)	(650)	—	—	—	(650)
Profit before income tax					344,602
Income tax expense					(163,427)
Profit for the year					181,175
Depreciation and amortisation	6,176	—	7,881	19	14,076
Fair value gains on investment properties — net (Note 20)	—	1,298	—	—	1,298
Segment assets	7,084,233	188,030	325,446	5,556	7,603,265
Segment assets include:					
Interests in an associate (Note 17)	31,090	—	—	—	31,090
Addition to non-current assets (other than financial instruments and deferred income tax assets)	5,127	—	389	103	5,619
Segment liabilities	4,967,760	1,386	15,935	7,529	4,992,610

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statements of comprehensive income.

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2018 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
(Unaudited)					
Segment revenue	84,576	—	33,806	2,006	120,388
Recognised at a point in time	84,576	—	—	—	84,576
Recognised over time	—	—	33,806	2,006	35,812
Revenue from other sources: rental income	—	6,452	—	—	6,452
Inter-segment revenue	—	(1,657)	(230)	—	(1,887)
Revenue from external customers	84,576	4,795	33,576	2,006	124,953
Gross profit	36,359	4,249	293	(457)	40,444
Selling and marketing expenses					(19,530)
Administrative expenses					(54,866)
Other income					491
Other expenses					(1,211)
Other gains — net					22,926
Finance income — net					388
Share of results of an associate (Note 17)	(559)	—	—	—	(559)
Profit before income tax					(11,917)
Income tax expense					(7,211)
Profit for the year					(19,128)
Depreciation and amortisation	5,377	—	7,510	19	12,906
Fair value gains on investment properties — net (Note 20)	—	8,842	—	—	8,842
Segment assets	4,737,031	208,341	331,520	3,459	5,280,351
Segment assets include:					
Interests in an associate	36,049	—	—	—	36,049
Addition to non-current assets (other than financial instruments and deferred income tax assets)	6,734	—	628	—	7,362
Segment liabilities	4,331,090	5,461	65,175	2,301	4,404,027

Segment assets are reconciled to total assets as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	2,314,828	4,330,808	6,484,672	7,603,265
Unallocated:				
- Deferred income tax assets	18,901	78,260	128,899	157,188
- Financial assets at fair value through profit or loss	14,000	50,800	600	—
Total assets	<u>2,347,729</u>	<u>4,459,868</u>	<u>6,614,171</u>	<u>7,760,453</u>

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities	1,511,093	2,883,364	5,080,252	4,992,610
Unallocated:				
- Current income tax liabilities	14,496	58,542	85,466	91,682
- Deferred income tax liabilities	20,639	30,166	37,082	177,199
- Short-term borrowings and current portion of long-term borrowings	120,909	437,414	439,436	776,607
- Long-term borrowings	611,879	684,131	318,656	891,395
Total liabilities	<u>2,279,016</u>	<u>4,093,617</u>	<u>5,960,892</u>	<u>6,929,493</u>

(c) *Assets and liabilities related to contracts with customers*

(i) The Group has recognised the following assets related to contracts with customers:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Sale commissions	29,158	36,620	47,745	55,301

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019, the amounts of amortisation were RMB18,933,000, RMB25,727,000, RMB35,900,000, RMB3,482,000 and RMB18,265,000, respectively. There was no impairment loss in relation to the costs capitalised.

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Contract liabilities related to sales of properties	423,715	1,283,515	2,046,730	2,008,856
Contract liabilities related to others	1,312	5,420	6,865	4,205
	<u>425,027</u>	<u>1,288,935</u>	<u>2,053,595</u>	<u>2,013,061</u>

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised during the Track Record Period related to carried-forward contract liabilities.

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period					
Sales of properties	179,928	332,556	1,104,522	45,432	607,110
Others	—	1,312	5,420	5,420	6,865
	<u>179,928</u>	<u>333,868</u>	<u>1,109,942</u>	<u>50,852</u>	<u>613,975</u>

(iii) Unsatisfied contracts related to property development and sales:

	Year ended 31 December			Six months ended
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Expected to be recognised within one year	396,518	1,190,473	1,790,239	2,157,817
Expected to be recognised after one year	<u>113,328</u>	<u>358,988</u>	<u>369,390</u>	<u>201,554</u>
	<u>509,846</u>	<u>1,549,461</u>	<u>2,159,629</u>	<u>2,359,371</u>

6 Expenses by nature

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Cost of properties sold — including construction cost, land cost and interest cost	426,486	467,088	708,998	45,692	304,957
Employee benefit expenses (including directors' emoluments) (Note 10)	35,269	69,542	111,531	38,390	67,665
Employee benefit expenditure — including directors' emoluments	46,397	89,313	136,027	59,292	77,863
Less: capitalised in properties under development	(11,128)	(19,771)	(24,496)	(20,902)	(10,198)
Commission fees	18,933	25,727	35,900	3,482	18,265
Hotel operations expenses	4,496	29,623	28,785	15,144	15,702
Business taxes and other levies (Note (i))	29,551	21,113	26,050	4,914	9,098
Advertising costs	14,405	11,348	25,523	11,635	15,754
Entertainment expenses	10,704	15,227	20,232	9,656	7,523
Depreciation and amortisation of intangible assets and right-of-use assets	7,116	23,915	25,586	12,906	14,076
Listing expenses	—	—	10,840	6,223	10,602
Office and travelling expenses	3,203	7,398	8,086	3,825	4,691
Auditor's remuneration	229	593	934	450	195
Assets impairment loss/(reversal)	34	336	170	253	(78)
Others	6,493	7,064	12,655	6,335	10,295
Total	556,919	678,974	1,015,290	158,905	478,745

- (i) Pursuant to the "Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax" ("Cai Shui 2016 No. 36") jointly issued by the Ministry of Finance and the State Administration of Taxation, the PRC subsidiaries of the Group are subject to value added tax ("VAT") on their revenues instead of business tax since 1 May 2016, while the business tax was 5% before then.

According to the Circular Cai Shui 2016 No. 36, VAT for sales of properties and income from property investment is calculated at a tax rate of 5% based on a simple method in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016. Otherwise, the VAT is calculated at a tax rate of 10% or 11%.

According to the Circular Cai Shui 2016 No. 36, VAT rate for property management services, hotel management are 6% or 3% for general VAT payer and small-scale VAT payer respectively.

According to the Announcement on Policies for Deepening the VAT Reform (Announcement 2019 No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) which was promulgated on 20 March 2019 and came into force as of 1 April 2019, the VAT rates was further adjusted, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

7 Other income

	Year ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Forfeited customer deposits	412	506	800	370	350
Others	258	215	476	121	288
	<u>670</u>	<u>721</u>	<u>1,276</u>	<u>491</u>	<u>638</u>

8 Other expenses

	Year ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Donations	2,020	2,000	2,443	1,203	41
Others	726	858	316	8	1,163
	<u>2,746</u>	<u>2,858</u>	<u>2,759</u>	<u>1,211</u>	<u>1,204</u>

9 Other gains — net

	Year ended 31 December			Six months ended	
				30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on financial assets at fair value through profit or loss	1,409	3,593	9,123	6,760	870
Losses on disposals of property, plant and equipment	(2)	(110)	(8)	(2)	(9)
Fair value gains on investment properties (Note 20)	58,972	33,135	11,097	8,842	1,298
Gains on disposal of subsidiaries (Note 39)	—	—	210,358	7,326	59,706
	<u>60,379</u>	<u>36,618</u>	<u>230,570</u>	<u>22,926</u>	<u>61,865</u>

10 Employee benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Wages, salaries and bonuses and other benefits	43,592	84,553	128,028	55,858	72,649
Pension costs — statutory pension	2,805	4,760	7,999	3,434	5,214
	46,397	89,313	136,027	59,292	77,863
Less: capitalised in properties under development	(11,128)	(19,771)	(24,496)	(20,902)	(10,198)
	<u>35,269</u>	<u>69,542</u>	<u>111,531</u>	<u>38,390</u>	<u>67,665</u>

(a) Pensions scheme — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

(b) Five highest paid individuals

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019, the five individuals whose emoluments were the highest in the Group included 1, 2, 3, 3 and 4 directors, respectively, whose emoluments are reflected in the analysis in Note 41. The emoluments payable to the remaining 4, 3, 2, 2 and 1 individuals during the years ended 31 December 2016, 2017, 2018 and during the six months ended 30 June 2018 and 2019 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Wages, salaries and bonuses and other benefits	3,992	4,289	3,619	1,742	886
Pension costs — statutory pension	46	30	20	10	5
	<u>4,038</u>	<u>4,319</u>	<u>3,639</u>	<u>1,752</u>	<u>891</u>

The emoluments payable to these individuals during the years ended 31 December 2016, 2017, 2018 and during the six months ended 30 June 2018 and 2019 are within the following bands:

	Number of individuals Year ended 31 December			Number of individuals Six months ended 30 June	
	2016	2017	2018	2018	2019
				<i>(Unaudited)</i>	
Nil — HK\$1,000,000	2	—	—	—	—
HK\$1,000,000 — HK\$1,500,000	1	—	—	2	1
HK\$1,500,000 — HK\$2,000,000	1	3	—	—	—
HK\$2,000,000 — HK\$2,500,000	—	—	2	—	—
	<u>4</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>1</u>

During the years ended 31 December 2016, 2017, 2018 and during the six months ended 30 June 2018 and 2019, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 Finance (income)/costs — net

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Finance costs					
- Interest expense on bank and other borrowings	40,799	57,768	62,546	33,908	56,489
- Interest expense on leases	482	603	444	235	1,473
Less:					
- Interest capitalised	<u>(41,281)</u>	<u>(47,834)</u>	<u>(62,990)</u>	<u>(34,143)</u>	<u>(57,962)</u>
	<u>—</u>	<u>10,537</u>	<u>—</u>	<u>—</u>	<u>—</u>
Finance income					
- Interest income from bank deposits	<u>(672)</u>	<u>(971)</u>	<u>(649)</u>	<u>(388)</u>	<u>(452)</u>
Finance (income)/costs — net	<u>(672)</u>	<u>9,566</u>	<u>(649)</u>	<u>(388)</u>	<u>(452)</u>

12 Income tax expense

	Year ended 31 December			Six months ended	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (Unaudited)	2019 RMB'000
Current income tax:					
- Corporate income tax	28,894	89,439	119,717	3,825	90,859
- Land appreciation tax	19,867	56,887	85,637	7,821	93,102
	<u>48,761</u>	<u>146,326</u>	<u>205,354</u>	<u>11,646</u>	<u>183,961</u>
Deferred income tax:					
- Corporate income tax	9,235	(48,996)	(47,843)	(4,435)	(19,752)
- Land appreciation tax	—	—	—	—	(782)
	<u>9,235</u>	<u>(48,996)</u>	<u>(47,843)</u>	<u>(4,435)</u>	<u>(20,534)</u>
	<u>57,996</u>	<u>97,330</u>	<u>157,511</u>	<u>7,211</u>	<u>163,427</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the group entities as follows:

	Year ended 31 December			Six months ended	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (Unaudited)	2019 RMB'000
Profit/(loss) before income tax	<u>142,503</u>	<u>183,408</u>	<u>539,270</u>	<u>(11,917)</u>	<u>344,602</u>
Calculated at tax rate of 25%	35,626	45,852	134,818	(2,979)	86,151
Effects of:					
- Different tax rates available to different subsidiaries of the Group	946	1,131	(16,035)	1,050	1,689
- Land appreciation tax deductible for PRC corporate income tax purposes	(4,967)	(14,222)	(21,409)	(1,955)	(23,080)
- Expenses and development costs not deductible for tax purposes	4,688	5,484	5,624	1,387	2,487
- Tax losses for which no deferred tax assets was recognised	1,836	2,198	3,356	1,887	3,860
- Land appreciation tax	19,867	56,887	85,637	7,821	92,320
- Income not subject to tax	—	—	(34,480)	—	—
Income tax expense	<u>57,996</u>	<u>97,330</u>	<u>157,511</u>	<u>7,211</u>	<u>163,427</u>

(i) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

(ii) *PRC land appreciation tax ("LAT")*

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, 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 appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

(iii) *Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(iv) *Hong Kong profits tax*

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong during the Track Record Period.

13 **Earnings per share**

	As at 31 December			As at 30 June	
	2016	2017	2018	2018	2019
Profit attribute to owners of the Company (RMB'000)	84,507	89,789	386,486	(18,113)	185,003
Weighted average number of ordinary shares in issue	3	3	3	3	3
Earnings per share — basic (RMB'000 per share)	<u>28,169</u>	<u>29,930</u>	<u>128,829</u>	<u>(6,038)</u>	<u>61,668</u>
Earnings per share — diluted (RMB'000 per share)	<u>28,169</u>	<u>29,930</u>	<u>128,829</u>	<u>(6,038)</u>	<u>61,668</u>

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolution passed on 13 November 2019 (Note 42(ii)) as the proposed capitalisation issue has not become effective as at the date of this report.

14 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

15 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Deferred income tax assets				
- to be realised within 12 months	12,300	52,942	91,601	114,850
- to be realised after more than 12 months	6,601	25,318	37,298	42,338
	<u>18,901</u>	<u>78,260</u>	<u>128,899</u>	<u>157,188</u>
Deferred income tax liabilities				
- to be realised within 12 months	—	—	—	—
- to be realised after more than 12 months	20,639	30,166	37,082	177,199
	<u>(1,738)</u>	<u>48,094</u>	<u>91,817</u>	<u>(20,011)</u>

(i) Deferred income tax assets

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Beginning of the year/period	10,449	19,448	80,315	132,350
Recognised in profit or loss	8,999	60,031	56,155	28,792
Acquisition of subsidiaries	—	836	—	—
Disposal of subsidiaries	—	—	(4,120)	(50)
End of year/period	<u>19,448</u>	<u>80,315</u>	<u>132,350</u>	<u>161,092</u>
Offsetting with deferred income tax liabilities	<u>(547)</u>	<u>(2,055)</u>	<u>(3,451)</u>	<u>(3,904)</u>
Net deferred income tax assets	<u>18,901</u>	<u>78,260</u>	<u>128,899</u>	<u>157,188</u>

Movement of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Tax losses RMB'000	Deductible temporary differences of expenses and cost of sales RMB'000	Temporary difference in sales recognition and related cost of sales RMB'000	Elimination of unrealised profits RMB'000	Total RMB'000
At 1 January 2016	6,511	154	3,784	—	10,449
Recognised in profit or loss	(2,449)	2,172	9,276	—	8,999
At 31 December 2016	4,062	2,326	13,060	—	19,448
Recognised in profit or loss	13,645	414	45,972	—	60,031
Acquisition of subsidiaries	836	—	—	—	836
At 31 December 2017	18,543	2,740	59,032	—	80,315
Recognised in profit or loss	15,492	712	27,539	12,412	56,155
Disposal of subsidiaries	(4,120)	—	—	—	(4,120)
At 31 December 2018	29,915	3,452	86,571	12,412	132,350
Recognised in profit or loss	20,579	11,770	(1,885)	(1,672)	28,792
Disposal of a subsidiary	(50)	—	—	—	(50)
At 30 June 2019	50,444	15,222	84,686	10,740	161,092

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

At 31 December 2016 and 2017, 2018 and 30 June 2019, the Group did not recognise deferred income tax assets of RMB1,836,000, RMB2,198,000, RMB3,356,000 and RMB3,860,000, in respect of losses amounting to RMB11,129,000, RMB13,324,000, RMB20,337,000 and RMB23,393,000 that can be carried forward against future taxable income.

(ii) *Deferred income tax liabilities*

	As at 31 December			As at 30 June 2019
	2016 RMB'000	2017 RMB'000	2018 RMB'000	RMB'000
Beginning of the year/period	2,952	21,186	32,221	40,533
Acquisition of subsidiaries	—	—	—	132,312
Recognised in profit or loss	18,234	11,035	8,312	8,258
End of the year/period	21,186	32,221	40,533	181,103
Offsetting with deferred income tax assets	(547)	(2,055)	(3,451)	(3,904)
Net deferred income tax liabilities	20,639	30,166	37,082	177,199

Movement of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Fair value gains on investment properties <i>RMB'000</i>	Excess of carrying amounts of completed properties held for sale over the tax bases <i>RMB'000</i>	Interest capitalisation <i>RMB'000</i>	Revaluation surplus arising from business combinations <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	–	–	2,952	–	2,952
Recognised in profit or loss	14,742	–	3,492	–	18,234
At 31 December 2016	14,742	–	6,444	–	21,186
Recognised in profit or loss	8,284	–	2,751	–	11,035
At 31 December 2017	23,026	–	9,195	–	32,221
Recognised in profit or loss	2,775	–	5,537	–	8,312
At 31 December 2018	25,801	–	14,732	–	40,533
Acquisition of a subsidiary	–	6,715	–	125,597	132,312
Recognised in profit or loss	325	–	8,715	(782)	8,258
At 30 June 2019	26,126	6,715	23,447	124,815	181,103

As at 31 December 2016, 2017, 2018 and 30 June 2019, deferred income tax liabilities of RMB12,686,000, RMB22,143,000, RMB52,082,000 and RMB73,222,000 have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB126,862,000, RMB221,432,000, RMB520,817,000 and RMB732,220,000 as at 31 December 2016, 2017, 2018 and 30 June 2019, respectively as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

16 Investment in a joint venture

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Opening balances	—	—	—	20,559
Additions	—	—	23,340	—
Share of results	—	—	(2,781)	(158)
Disposals	—	—	—	(20,401)
Ending balances	—	—	20,559	—

- (a) As at 31 December 2018 and 30 June 2019, the Group's interest in a joint venture is accounted using equity method. The aggregate amount of the Group's share of loss from joint venture for the year ended 31 December 2018 and six months ended 30 June 2019 were RMB 2,781,000 and RMB158,000, respectively.
- (b) Nature of investment in a joint venture as at 31 December 2016 and 2017, 2018 and 30 June 2019:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest				Measurement method
			As at 31 December			As at	
			2016	2017	2018	30 June 2019	
Guangzhou Wanjing Property Development Co., Ltd. (the "Wanjing") 廣州市萬景房地產有 限公司	PRC	Property development	N/A	N/A	77.8%	N/A	Equity

- (c) As at 31 December 2018 and 30 June 2019, there were no significant contingencies relating to the Group's interests in the joint venture.
- (d) The Group disposed its subsidiary, Guangzhou Jinghong investment Co., Ltd, the holding company of Wanjing, to a third party on 11 June 2019 at a consideration of RMB74,893,000. The joint venture was disposed accordingly.

(e) Summarised financial information for a joint venture.

Set out below is the summarised financial information for Wanjing:

Summarised balance sheets

	As at 31 December 2018 RMB'000	As at 30 June 2019 RMB'000
Non-current assets	3,057	—
Current assets		
Cash and cash equivalents	46	—
Trade and other receivables	<u>2,434,092</u>	<u>—</u>
Total assets	<u><u>2,437,195</u></u>	<u><u>—</u></u>
Non-current liabilities		
Bank borrowings	1,300,000	—
Current liabilities	<u>1,110,770</u>	<u>—</u>
Total liabilities	<u><u>2,410,770</u></u>	<u><u>—</u></u>
Net assets	26,425	—
The Group's share in %	<u>77.8%</u>	<u>—</u>
Carrying amount	<u><u>20,559</u></u>	<u><u>—</u></u>

Summarised statements of comprehensive income

	Year ended 31 December 2018 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
Administrative expenses	(3,440)	(270)
Finance costs	(135)	(1)
Income tax expenses	—	68
Loss for the year/period	<u>(3,575)</u>	<u>(203)</u>
Total comprehensive loss for the year/period	<u>(3,575)</u>	<u>(203)</u>

17 Investments in associates

The movement of investments in associates are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balances	—	37,400	36,608	35,326
Addition	37,628	—	24,500	—
Share of results	(228)	(792)	(1,282)	(650)
Disposal	—	—	(24,500)	—
Elimination of unrealised profits	—	—	—	(3,586)
Ending balances	<u>37,400</u>	<u>36,608</u>	<u>35,326</u>	<u>31,090</u>

(a) Nature of investment in an associate as at 31 December 2016 and 2017, 2018 and 30 June 2019:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest				Measurement method
			As at 31 December		As at 30 June		
			2016	2017	2018	2019	
Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. (the “Donghuzhou”) 廣州市南沙東湖洲房 地產有限公司	PRC	Property development	30%	30%	30%	30%	Equity

(b) As at 31 December 2016, 2017, 2018 and 30 June 2019, there were no significant contingencies relating to the Group's interests in the associate.

(c) Summarised financial information for an associate

Set out below is the summarised financial information for Donghuzhou:

Summarised balance sheets

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Non-current assets	283	492	3,337	16,150
Properties under development	136,844	186,397	360,510	405,940
Cash and cash equivalents	958	14,841	36,013	106,141
Other current assets	591	10,639	33,448	51,256
Current assets	<u>138,393</u>	<u>211,877</u>	<u>429,971</u>	<u>563,337</u>
Total assets	<u>138,676</u>	<u>212,369</u>	<u>433,308</u>	<u>579,487</u>
Current liabilities	14,009	90,344	315,556	475,854
Total liabilities	<u>14,009</u>	<u>90,344</u>	<u>315,556</u>	<u>475,854</u>
Net assets	124,667	122,025	117,752	103,633
The Group's share in%	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>
Carrying amount	<u>37,400</u>	<u>36,608</u>	<u>35,326</u>	<u>31,090</u>

Summarised statements of comprehensive income

	Year ended 31 December			Six months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Administrative expenses	(764)	(2,439)	(1,585)	(1,028)	(514)
Selling expenses	—	(1)	(2,727)	(881)	(817)
Finance income/(costs)	4	55	89	48	(934)
Other income	—	30	21	—	97
Other expenses	—	(285)	(72)	(1)	—
Loss for the year/period	<u>(760)</u>	<u>(2,640)</u>	<u>(4,274)</u>	<u>(1,862)</u>	<u>(2,168)</u>
Total comprehensive loss for the year/period	<u>(760)</u>	<u>(2,640)</u>	<u>(4,274)</u>	<u>(1,862)</u>	<u>(2,168)</u>

18 Property, plant and equipment

	Buildings <i>RMB'000</i>	Vehicles and machinery <i>RMB'000</i>	Assets under construction <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016					
Cost	—	423	136,348	1,710	138,481
Accumulated depreciation	—	(111)	—	(384)	(495)
Net book amount	<u>—</u>	<u>312</u>	<u>136,348</u>	<u>1,326</u>	<u>137,986</u>
Year ended 31 December 2016					
Opening net book amount	—	312	136,348	1,326	137,986
Acquisition of subsidiaries	30,485	1,207	—	—	31,692
Additions	89,711	652	83,437	3,096	176,896
Disposals	—	(2)	—	—	(2)
Depreciation	(3,061)	(300)	—	(1,073)	(4,434)
Exchange difference	—	25	—	2	27
Closing net book amount	<u>117,135</u>	<u>1,894</u>	<u>219,785</u>	<u>3,351</u>	<u>342,165</u>
At 31 December 2016					
Cost	120,196	2,305	219,785	4,808	347,094
Accumulated depreciation	(3,061)	(411)	—	(1,457)	(4,929)
Net book amount	<u>117,135</u>	<u>1,894</u>	<u>219,785</u>	<u>3,351</u>	<u>342,165</u>
Year ended 31 December 2017					
Opening net book amount	117,135	1,894	219,785	3,351	342,165
Acquisition of subsidiaries	—	24	—	150	174
Additions	5,912	3,407	88	3,569	12,976
Assets under construction transferred to buildings	219,873	—	(219,873)	—	—
Disposals	—	—	—	(275)	(275)
Depreciation	(13,004)	(812)	—	(2,093)	(15,909)
Exchange difference	—	1	—	1	2
Closing net book amount	<u>329,916</u>	<u>4,514</u>	<u>—</u>	<u>4,703</u>	<u>339,133</u>
At 31 December 2017					
Cost	345,981	5,737	—	8,253	359,971
Accumulated depreciation	(16,065)	(1,223)	—	(3,550)	(20,838)
Net book amount	<u>329,916</u>	<u>4,514</u>	<u>—</u>	<u>4,703</u>	<u>339,133</u>

	Buildings <i>RMB'000</i>	Vehicles and machinery <i>RMB'000</i>	Assets under construction <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2018					
Opening net book amount	329,916	4,514	—	4,703	339,133
Additions	1,681	4,901	—	2,365	8,947
Disposals of subsidiaries	—	—	—	(224)	(224)
Disposals	—	(73)	—	(178)	(251)
Depreciation	(13,022)	(1,849)	—	(1,933)	(16,804)
Exchange difference	—	52	—	(16)	36
Closing net book amount	<u>318,575</u>	<u>7,545</u>	<u>—</u>	<u>4,717</u>	<u>330,837</u>
At 31 December 2018					
Cost	347,662	10,617	—	10,200	368,479
Accumulated depreciation	(29,087)	(3,072)	—	(5,483)	(37,642)
Net book amount	<u>318,575</u>	<u>7,545</u>	<u>—</u>	<u>4,717</u>	<u>330,837</u>
Six months ended 30 June 2019					
Opening net book amount	318,575	7,545	—	4,717	330,837
Additions	—	3,336	—	1,282	4,618
Disposals	—	—	—	(9)	(9)
Depreciation	(6,511)	(1,072)	—	(1,667)	(9,250)
Exchange difference	—	9	—	1	10
Closing net book amount	<u>312,064</u>	<u>9,818</u>	<u>—</u>	<u>4,324</u>	<u>326,206</u>
At 30 June 2019					
Cost	347,662	13,962	—	11,474	373,098
Accumulated depreciation	(35,598)	(4,144)	—	(7,150)	(46,892)
Net book amount	<u>312,064</u>	<u>9,818</u>	<u>—</u>	<u>4,324</u>	<u>326,206</u>
Six months ended 30 June 2018 (Unaudited)					
Opening net book amount	329,916	4,514	—	4,703	339,133
Additions	—	1,631	—	1,238	2,869
Disposals of subsidiaries	—	—	—	(224)	(224)
Disposals	—	(50)	—	(4)	(54)
Depreciation	(6,502)	(785)	—	(1,125)	(8,412)
Closing net book amount	<u>323,414</u>	<u>5,310</u>	<u>—</u>	<u>4,588</u>	<u>333,312</u>
At 30 June 2018					
Cost	345,981	7,318	—	9,263	362,562
Accumulated depreciation	(22,567)	(2,008)	—	(4,675)	(29,250)
Net book amount	<u>323,414</u>	<u>5,310</u>	<u>—</u>	<u>4,588</u>	<u>333,312</u>

Depreciation of the property, plant and equipment has been charged to profit or loss or capitalised in properties under development as follows:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				<i>(Unaudited)</i>	
Selling and marketing expenses	46	162	166	81	113
Administrative expenses	1,133	1,631	2,700	1,156	1,614
Cost of sales	3,235	14,032	13,791	7,146	7,410
	<u>4,414</u>	<u>15,825</u>	<u>16,657</u>	<u>8,383</u>	<u>9,137</u>
Properties under development	20	84	147	29	113
	<u>4,434</u>	<u>15,909</u>	<u>16,804</u>	<u>8,412</u>	<u>9,250</u>

As at 31 December 2016, 2017, 2018 and 30 June 2019, the following net book amount of buildings and assets under construction were pledged as collateral for the Group's bank and other borrowings:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Buildings	—	212,075	284,728	278,739
Assets under construction	219,785	—	—	—
	<u>219,785</u>	<u>212,075</u>	<u>284,728</u>	<u>278,739</u>

As at 31 December 2016 and 2017, title certificates of buildings with net book value of RMB11,056,000 and RMB10,635,000, respectively were still in the process of being obtained.

As at 31 December 2018 and 30 June 2019, no title certificates of buildings were in the process of being obtained.

As at 31 December 2016, 2017, 2018 and 30 June 2019, included in buildings and assets under construction mainly comprised of the hotels of RMB307,595,000, RMB296,494,000, RMB285,440,000 and RMB278,739,000 which are located in the PRC.

19 Right-of-use assets

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Lands (Note (a))	14,325	256,835	255,778	252,978
Buildings	13,889	9,412	6,925	5,237
	<u>28,214</u>	<u>266,247</u>	<u>262,703</u>	<u>258,215</u>

(a) The amounts mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

(b) The movement of right-of-use assets is shown in the table below during the Track Record Period:

	Lands RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2016			
Cost	14,998	7,535	22,533
Accumulated amortisation	(181)	—	(181)
Net book amount	<u>14,817</u>	<u>7,535</u>	<u>22,352</u>
Year ended 31 December 2016			
Opening net book amount	14,817	7,535	22,352
Additions	140	8,429	8,569
Amortisation	(632)	(2,510)	(3,142)
Exchange difference	—	435	435
Closing net book amount	<u>14,325</u>	<u>13,889</u>	<u>28,214</u>
At 31 December 2016			
Cost	15,138	16,399	31,537
Accumulated amortisation	(813)	(2,510)	(3,323)
Net book amount	<u>14,325</u>	<u>13,889</u>	<u>28,214</u>
Year ended 31 December 2017			
Opening net book amount	14,325	13,889	28,214
Acquisition of subsidiaries	174,562	—	174,562
Additions	71,502	—	71,502
Amortisation	(3,554)	(4,130)	(7,684)
Exchange difference	—	(347)	(347)
Closing net book amount	<u>256,835</u>	<u>9,412</u>	<u>266,247</u>

	Lands <i>RMB'000</i>	Buildings <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2017			
Cost	261,202	16,052	277,254
Accumulated amortisation	(4,367)	(6,640)	(11,007)
Net book amount	<u>256,835</u>	<u>9,412</u>	<u>266,247</u>
Year ended 31 December 2018			
Opening net book amount	256,835	9,412	266,247
Additions	3,667	1,110	4,777
Amortisation	(4,724)	(3,735)	(8,459)
Exchange difference	—	138	138
Closing net book amount	<u>255,778</u>	<u>6,925</u>	<u>262,703</u>
At 31 December 2018			
Cost	264,869	17,300	282,169
Accumulated amortisation	(9,091)	(10,375)	(19,466)
Net book amount	<u>255,778</u>	<u>6,925</u>	<u>262,703</u>
Six months ended 30 June 2019			
Opening net book amount	255,778	6,925	262,703
Additions	195	—	195
Amortisation	(2,995)	(1,658)	(4,653)
Exchange difference	—	(30)	(30)
Closing net book amount	<u>252,978</u>	<u>5,237</u>	<u>258,215</u>
At 30 June 2019			
Cost	265,064	17,270	282,334
Accumulated amortisation	(12,086)	(12,033)	(24,119)
Net book amount	<u>252,978</u>	<u>5,237</u>	<u>258,215</u>
Six months ended 30 June 2018 (Unaudited)			
Opening net book amount	256,835	9,412	266,247
Additions	3,338	1,110	4,448
Amortisation	(2,297)	(1,998)	(4,295)
Exchange difference	—	6	6
Closing net book amount	<u>257,876</u>	<u>8,530</u>	<u>266,406</u>
At 30 June 2018			
Cost	264,540	17,168	281,708
Accumulated amortisation	(6,664)	(8,638)	(15,302)
Net book amount	<u>257,876</u>	<u>8,530</u>	<u>266,406</u>

(c) As at 31 December 2016, 2017, 2018 and 30 June 2019, lands with net book value of RMB14,194,000, RMB15,040,000, RMB14,409,000 and RMB14,137,000 respectively, were pledged as collateral for the Group's bank and other borrowings (Note 30).

(d) Amortisation of the right-of-use assets has been charged to profit or loss or capitalised in assets under construction as follows:

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Administrative expenses	2,360	6,767	7,663	3,853	4,299
Cost of sales	239	917	796	442	354
	<u>2,599</u>	<u>7,684</u>	<u>8,459</u>	<u>4,295</u>	<u>4,653</u>
Assets under construction	543	—	—	—	—
	<u>3,142</u>	<u>7,684</u>	<u>8,459</u>	<u>4,295</u>	<u>4,653</u>

20 Investment properties

	Year ended 31 December			Six months ended	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	30 June 2018 RMB'000 (Unaudited)	2019 RMB'000
Opening net book value	—	140,043	173,178	173,178	184,275
Additions	81,071	—	—	—	—
Fair value changes	<u>58,972</u>	<u>33,135</u>	<u>11,097</u>	<u>8,842</u>	<u>1,298</u>
Closing net book value	<u>140,043</u>	<u>173,178</u>	<u>184,275</u>	<u>182,020</u>	<u>185,573</u>

As at 31 December 2016, 2017, 2018 and 30 June 2019, investment properties mainly comprise three retail properties.

As at 31 December 2016 and 2017, one certificate for the retail properties of RMB78,343,000 and RMB92,978,000, respectively was still to be obtained. Such certificate has been obtained in 2018.

As at 31 December 2016 and 2017, no retail property was pledged as collateral for the Group's bank and other borrowings.

As at 31 December 2018 and 30 June 2019, three retail properties of RMB184,275,000 and 185,573,000 were pledged as collateral for the Group's bank and other borrowings (Note 30).

Amounts recognised in profit or loss for investment properties

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Rental income	1,302	4,805	8,542	4,094	4,899
Direct operating expenses	<u>(175)</u>	<u>(601)</u>	<u>(848)</u>	<u>(235)</u>	<u>(679)</u>
	<u>1,127</u>	<u>4,204</u>	<u>7,694</u>	<u>3,859</u>	<u>4,220</u>

The investment properties are located in the PRC and are held on leases of between 40 to 50 years.

(i) *Fair value hierarchy*

An independent valuation of the Group's completed investment properties was performed by the independent and professionally qualified valuer, Cushman & Wakefield Limited, to determine the fair value of the investment properties as at 31 December 2016, 2017, 2018 and 30 June 2019. The revaluation gains or losses are included in 'Other gains — net' in the statements of comprehensive income.

As at 31 December 2016, 2017, 2018 and 30 June 2019, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.9).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the Track Record Period.

(ii) *Valuation processes of the Group*

The Group's investment properties were valued at 31 December 2016, 2017, 2018 and 30 June 2019 by independent and professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months during the Track Record Period.

At each financial year end, the financial department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

(iii) *Valuation techniques*

Completed investment properties comprise of retail properties. For retail properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques during the Track Record Period.

	Property category	Fair value at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	140,043,000	Term and reversionary method	Market price (RMB/square metre)	92-184	The higher the market price, the higher the fair value
				Term yields	5.50%-6.00%	The higher the term yields, the lower the fair value
	Property category	Fair value at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	173,178,000	Term and reversionary method	Market price (RMB/square metre)	105-210	The higher the market price, the higher the fair value
				Term yields	4.25%-4.75%	The higher the term yields, the lower the fair value

	Property category	Fair value at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	184,275,000	Term and reversionary method	Market price (RMB/square metre)	110-221	The higher the market price, the higher the fair value The higher the term yields, the lower the fair value
				Term yields	4.00%-4.50%	
	Property category	Fair value at 30 June 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	185,573,000	Term and reversionary method	Market price (RMB/square metre)	112-223	The higher the market price, the higher the fair value The higher the term yields, the lower the fair value
				Term yields	4.00%-4.50%	

As at 31 December 2016, 2017, 2018 and 30 June 2019, the period of leases whereby the Group leases out its investment properties held in the PRC were between 2 to 8 years.

21 Intangible assets

	Computer software RMB'000
Year ended 31 December 2016	
Opening net book amount	60
Additions	1,482
Amortisation	(103)
Closing net book amount	<u>1,439</u>
At 31 December 2016	
Cost	1,570
Accumulated amortisation	(131)
Net book amount	<u>1,439</u>
Year ended 31 December 2017	
Opening net book amount	1,439
Acquisition of subsidiaries	9
Additions	207
Amortisation	(406)
Closing net book amount	<u>1,249</u>

	Computer software <i>RMB'000</i>
At 31 December 2017	
Cost	1,786
Accumulated amortisation	<u>(537)</u>
Net book amount	<u><u>1,249</u></u>
Year ended 31 December 2018	
Opening net book amount	1,249
Additions	1,096
Disposal	(21)
Amortisation	<u>(470)</u>
Closing net book amount	<u><u>1,854</u></u>
At 31 December 2018	
Cost	2,861
Accumulated amortisation	<u>(1,007)</u>
Net book amount	<u><u>1,854</u></u>
Six months ended 30 June 2019	
Opening net book amount	1,854
Additions	806
Amortisation	<u>(286)</u>
Closing net book amount	<u><u>2,374</u></u>
At 30 June 2019	
Cost	3,667
Accumulated amortisation	<u>(1,293)</u>
Net book amount	<u><u>2,374</u></u>
Six months ended 30 June 2018 (Unaudited)	
Opening net book amount	1,249
Additions	45
Amortisation	<u>(228)</u>
Closing net book amount	<u><u>1,066</u></u>
At 30 June 2018	
Cost	1,831
Accumulated amortisation	<u>(765)</u>
Net book amount	<u><u>1,066</u></u>

22 Properties under development

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Properties under development expected to be completed:				
- Land use rights	400,289	1,154,255	2,153,042	2,440,129
- Contractual rights of land (Note (a))	—	190,560	236,999	241,622
- Construction costs	337,544	722,729	759,376	1,022,797
- Interests capitalised	46,035	82,502	71,856	110,426
	<u>783,868</u>	<u>2,150,046</u>	<u>3,221,273</u>	<u>3,814,974</u>

- (a) Contractual rights of land mainly represents the agricultural land and forest land acquired from the collective economic organisations in 2017, which will be transferred the usage to land use rights in near future.
- (b) Properties under development are located in the PRC and HK and expected to be completed, and available for sale within normal operating cycle.
- (c) The capitalisation rates of borrowings are 7.95%, 6.25%, 5.74% and 7.45% for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, respectively.
- (d) As at 31 December 2016, 2017, 2018 and 30 June 2019, properties under development with net book value of RMB284,145,000, RMB844,237,000, RMB221,985,000 and RMB216,649,000 respectively, were pledged as collateral for the Group's bank and other borrowings (Note 30).

23 Completed properties held for sale

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Completed properties held for sale developed by the Group:				
Land use rights	133,689	57,715	128,006	93,498
Construction costs	230,413	148,348	374,447	428,548
Interest capitalised	28,123	14,975	32,848	36,767
	<u>392,225</u>	<u>221,038</u>	<u>535,301</u>	<u>558,813</u>
Completed properties held for sale acquired	—	—	—	885,768
	<u>392,225</u>	<u>221,038</u>	<u>535,301</u>	<u>1,444,581</u>

The completed properties held for sale are all located in the PRC.

As at 31 December 2016, 2017, 2018 and 30 June 2019, completed properties held for sale with net book value of RMB106,098,000, RMB65,465,000, RMB288,832,000 and RMB837,711,000 respectively, were pledged as collateral for the Group's bank and other borrowings (Note 30).

24 Trade and other receivables and prepayments

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Included in current assets:				
Trade receivables — third parties (Note (a))	11,932	6,917	6,645	6,658
Other receivables — third parties (Note (b))	60,229	175,235	93,247	94,365
Prepayments for acquisition of land use rights (Note (c))	—	—	100,330	124,534
Other prepayments (Note (d))	57,295	212,496	31,677	47,706
	<u>129,456</u>	<u>394,648</u>	<u>231,899</u>	<u>273,263</u>
Less: non-current portion	(1,050)	(13,155)	(12,969)	(12,998)
Less: impairment	<u>(141)</u>	<u>(477)</u>	<u>(647)</u>	<u>(569)</u>
	<u><u>128,265</u></u>	<u><u>381,016</u></u>	<u><u>218,283</u></u>	<u><u>259,696</u></u>

As at 31 December 2016, 2017, 2018 and 30 June 2019, the fair value of trade and other receivables approximated their carrying amounts.

As at 31 December 2017, 2018 and 30 June 2019, trade receivables with net book value of RMB5,829,000, RMB6,122,000 and RMB4,156,000 were pledged as collateral for the Group's bank and other borrowings (Note 30).

(a) Details of trade receivables are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables — third parties	11,932	6,917	6,645	6,658
Less: allowance for impairment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Trade receivables — net	<u><u>11,932</u></u>	<u><u>6,917</u></u>	<u><u>6,645</u></u>	<u><u>6,658</u></u>

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	<u><u>11,932</u></u>	<u><u>6,917</u></u>	<u><u>6,645</u></u>	<u><u>6,658</u></u>

Trade receivables mainly arise from sales of properties and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group's trade receivables are denominated in RMB.

(b) Details of other receivables are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for acquisition of land use rights	—	132,955	42,969	42,998
Cash advances to third parties	33,807	24,537	16,150	11,583
Receivables from disposal of a subsidiary	—	—	3,000	—
Others	26,422	17,743	31,128	39,784
	<u>60,229</u>	<u>175,235</u>	<u>93,247</u>	<u>94,365</u>
Less: allowance for impairment	(141)	(477)	(647)	(569)
Other receivables — net	<u>60,088</u>	<u>174,758</u>	<u>92,600</u>	<u>93,796</u>

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for property development projects	25,442	175,185	14,080	22,316
Prepaid business taxes and other taxes	15,471	7,951	1,974	7,570
Others	16,382	29,360	15,623	17,820
Other prepayment	<u>57,295</u>	<u>212,496</u>	<u>31,677</u>	<u>47,706</u>

(e) Details of prepaid taxes are as follow:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Corporate income taxes	339	339	1,981	10,042
Land appreciation taxes	29,080	55,189	64,778	37,588
Value added taxes	666	82,051	80,843	98,105
	<u>30,085</u>	<u>137,579</u>	<u>147,602</u>	<u>145,735</u>

25 Financial assets at fair value through profit or loss

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Wealth management products (Note (a))	14,000	50,800	600	—

- (a) Wealth management products mainly are investments in financial instruments issued by banks, which have no guaranteed returns. They have initial terms ranging from 4 to 121 days.

During the year ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the average return rates of these products were 2.58%, 2.64%, 3.06% and 3.43%.

- (b) Changes in fair values of financial assets at fair value through profit or loss are recorded in “other gains — net” in the consolidated statements of comprehensive income.
- (c) For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

26 Restricted cash

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Guarantee deposits for construction of pre-sold properties (Note (a))	54,694	112,868	55,985	68,967
Guarantee deposits for borrowings (Note (b))	—	—	208,561	430,012
Others	—	—	—	489
	<u>54,694</u>	<u>112,868</u>	<u>264,546</u>	<u>499,468</u>
Denominated in:				
- RMB	54,694	112,868	55,985	69,456
- USD	—	—	208,561	430,012
	<u>54,694</u>	<u>112,868</u>	<u>264,546</u>	<u>499,468</u>

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

As at 31 December 2018 and 30 June 2019, the Group has placed cash deposits of approximately RMB208,561,000 and RMB430,012,000 with designated banks as security for bank borrowings (Note 30).

27 Cash and cash equivalents

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Cash at bank and in hand	310,644	410,530	483,427	996,826
Less: restricted cash	(54,694)	(112,868)	(264,546)	(499,468)
Cash and cash equivalents	<u>255,950</u>	<u>297,662</u>	<u>218,881</u>	<u>497,358</u>

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Denominated in RMB	252,303	292,980	120,667	411,208
Denominated in HK\$	3,647	4,682	95,566	63,891
Denominated in USD	—	—	2,648	22,259
	<u>255,950</u>	<u>297,662</u>	<u>218,881</u>	<u>497,358</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

28 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorized				
Ordinary share of HK\$0.01 each upon incorporation	38,000,000	HK\$380,000	RMB336,000	RMB336,000
Issued and fully paid				
At 2 November 2018 (date of incorporation)	1	HK\$0.01	RMB0.01	RMB0.01
Issue of shares of HK\$0.01 each	<u>2</u>	<u>HK\$0.02</u>	<u>RMB0.02</u>	<u>RMB0.02</u>
At 31 December 2018	<u>3</u>	<u>HK\$0.03</u>	<u>RMB0.03</u>	<u>RMB0.03</u>
Issue of shares of HK\$0.01 each	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2019	<u>3</u>	<u>HK\$0.03</u>	<u>RMB0.03</u>	<u>RMB0.03</u>

29 Other reserves and retained earnings

	Combined reserves RMB'000	Statutory reserve RMB'000	Exchange difference RMB'000	Total reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	200	8,531	(13,867)	(5,136)	(31,635)	(36,771)
Profit for the year	—	—	—	—	84,507	84,507
Transfer to statutory reserves	—	10,184	—	10,184	(10,184)	—
Capital injection from controlling shareholder (Note (a))	50,100	—	—	50,100	—	50,100
Other comprehensive income	—	—	(29,123)	(29,123)	—	(29,123)
Balance at 31 December 2016	<u>50,300</u>	<u>18,715</u>	<u>(42,990)</u>	<u>26,025</u>	<u>42,688</u>	<u>68,713</u>
Balance at 1 January 2017	50,300	18,715	(42,990)	26,025	42,688	68,713
Profit for the year	—	—	—	—	89,789	89,789
Transfer to statutory reserves	—	13,476	—	13,476	(13,476)	—
Other comprehensive income	—	—	35,356	35,356	—	35,356
Balance at 31 December 2017	<u>50,300</u>	<u>32,191</u>	<u>(7,634)</u>	<u>74,857</u>	<u>119,001</u>	<u>193,858</u>
Balance at 1 January 2018	50,300	32,191	(7,634)	74,857	119,001	193,858
Profit for the year	—	—	—	—	386,486	386,486
Transfer to statutory reserves	—	18,826	—	18,826	(18,826)	—
Capital injection from controlling shareholder (Note (b))	9,800	—	—	9,800	—	9,800
Deemed distribution to controlling shareholder (Note (b))	(60,100)	—	—	(60,100)	—	(60,100)
Capitalisation of shareholder's loan (Note (c))	43,810	—	—	43,810	—	43,810
Other comprehensive income	—	—	(24,550)	(24,550)	—	(24,550)
Balance at 31 December 2018	<u>43,810</u>	<u>51,017</u>	<u>(32,184)</u>	<u>62,643</u>	<u>486,661</u>	<u>549,304</u>

	Combined reserves RMB'000	Statutory reserve RMB'000	Exchange difference RMB'000	Total reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	43,810	51,017	(32,184)	62,643	486,661	549,304
Profit for the period	—	—	—	—	185,003	185,003
Other comprehensive income	—	—	(6,574)	(6,574)	—	(6,574)
Balance at 30 June 2019	<u>43,810</u>	<u>51,017</u>	<u>(38,758)</u>	<u>56,069</u>	<u>671,664</u>	<u>727,733</u>
Balance at 1 January 2018 (Unaudited)	50,300	32,191	(7,634)	74,857	119,001	193,858
Loss for the period	—	—	—	—	(18,113)	(18,113)
Capital injection from controlling shareholder (Note (b))	9,800	—	—	9,800	—	9,800
Deemed distribution to controlling shareholder (Note (b))	(50,100)	—	—	(50,100)	—	(50,100)
Other comprehensive income	—	—	(7,168)	(7,168)	—	(7,168)
Balance at 30 June 2018	<u>10,000</u>	<u>32,191</u>	<u>(14,802)</u>	<u>27,389</u>	<u>100,888</u>	<u>128,277</u>

- (a) In 2016, RMB50,000,000 and RMB100,000 were injected to Guangzhou Just Stay and Guangzhou Shun'an respectively as paid-in capital from the ultimate controlling shareholder through the Nominees pursuant to the nomination agreement.
- (b) In April 2018, RMB9,800,000 was injected to Guangzhou Shunbang as paid-in capital from the ultimate controlling shareholder through the Nominees pursuant to the nomination agreement. After the capital injection, the paid-in capital of Guangzhou Shunbang increased to RMB10,000,000.

In July 2018, Shunbang Corporate Management, one of the subsidiaries of Jingye Holdings, acquired the entire equity interest of Guangzhou Shunbang from the ultimate controlling shareholder with a total amount of RMB10,000,000. As a result, Guangzhou Shunbang became an indirect subsidiary of Jingye Holdings.

In June 2018, Jingye Hotel Management (HK), one of the subsidiaries of Jingye Holdings, acquired 100% equity interest of Guangzhou Just Stay from the ultimate controlling shareholder with a total amount of RMB50,000,000. As a result, Guangzhou Shunbang became an indirect subsidiary of Jingye Holdings.

In May 2018, Jingye Health, one of the subsidiaries of Jingye Holdings, acquired the 100% equity of Guangzhou Shun'an from the ultimate controlling shareholder with a total amount of RMB100,000. As a result, Guangzhou Shun'an became an indirect subsidiary of Jingye Holdings.

- (c) On 28 December 2018, Mr. Michael Chan and the Company entered into an agreement for the sale and purchase of the entire issued share capital in and the assignment of part of the shareholder loan in the amount of HK\$50,000,000 (RMB43,810,000) due from Jingye Holdings, in consideration of the Company allotting and issuing two shares to Mr. Michael Chan.

(d) Movement of the Company's other reserves is as follows:

	Other reserves RMB'000	Accumulated losses RMB'000
At 2 November 2018 (date of incorporation)	—	—
Deemed contribution (Note)	549,382	—
Loss for the period	—	(78)
At 31 December 2018	<u>549,382</u>	<u>(78)</u>
Profit for the period	—	192,814
At 30 June 2019	<u>549,382</u>	<u>192,736</u>

Note:

Deemed contribution represented mainly the excess of the aggregate net asset values of the Listing Business over the par value of the Company's shares issued in exchange pursuant to the Reorganisation.

30 Bank and other borrowings

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019 RMB'000
Bank borrowings	485,288	904,045	758,092	1,668,002
Loans from a third party (Note (a))	247,500	217,500	—	—
	<u>732,788</u>	<u>1,121,545</u>	<u>758,092</u>	<u>1,668,002</u>
Included in non-current liabilities:				
- Secured (Note (c) & (d))	405,288	835,473	500,949	1,124,934
- Unsecured (Note (d))	327,500	286,072	57,143	—
Less: current portion of non-current liabilities	<u>(120,909)</u>	<u>(437,414)</u>	<u>(239,436)</u>	<u>(233,539)</u>
	<u>611,879</u>	<u>684,131</u>	<u>318,656</u>	<u>891,395</u>
Included in current liabilities:				
- Secured (Note (c) & (d))	—	—	200,000	200,000
- Unsecured (Note (d))	—	—	—	343,068
Add: Current portion of non-current liabilities	<u>120,909</u>	<u>437,414</u>	<u>239,436</u>	<u>233,539</u>
	<u>120,909</u>	<u>437,414</u>	<u>439,436</u>	<u>776,607</u>
Total borrowings	<u>732,788</u>	<u>1,121,545</u>	<u>758,092</u>	<u>1,668,002</u>

(a) On 31 March 2015, a third party named Zhongshan Agile Changjiang Hotel Co., Ltd offered a facility of RMB300,000,000 to the Group. The Group withdrew a principal of RMB292,500,000 with the interest rate of 5.88% per annum. In 2018, the loan was early repaid by the Group.

(b) As at 31 December 2016, 2017, 2018 and 30 June 2019, the Group's borrowings are denominated in following currencies:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	657,650	972,755	758,092	1,324,934
HK\$	75,138	148,790	—	343,068
	<u>732,788</u>	<u>1,121,545</u>	<u>758,092</u>	<u>1,668,002</u>

(c) As at 31 December 2016, 2017, 2018 and 30 June 2019, bank and other borrowings totalling RMB405,288,000, RMB835,473,000, RMB700,949,000 and RMB1,324,934,000 of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Lands	14,194	15,040	14,409	14,137
Property, plant and equipment	—	212,075	284,728	278,739
Assets under construction	219,785	—	—	—
Investment properties	—	—	184,275	185,573
Properties under development	284,145	844,237	221,985	216,649
Completed properties held for sale	106,098	65,465	288,832	837,711
Trade receivables	—	5,829	6,122	4,156
Restricted cash	—	—	208,561	430,012
	<u>624,222</u>	<u>1,142,646</u>	<u>1,208,912</u>	<u>1,966,977</u>

(d) The Group's unsecured bank borrowings of RMB80,000,000, RMB68,571,000, RMB57,143,000 and RMB343,068,000 as at 31 December 2016, 2017, 2018 and 30 June 2019 were guaranteed by the Company and certain subsidiaries of the Group, ultimate controlling shareholder and the ultimate controlling shareholder's relative's company.

The Group's secured bank borrowings of RMB340,138,000, RMB399,460,000, RMB483,468,000 and RMB1,187,004,000 as at 31 December 2016, 2017, 2018 and 30 June 2019 were guaranteed by certain subsidiaries, ultimate controlling shareholder, Ms. Su Lifan, Ms. Tan Yuxing and the ultimate controlling shareholder's relative.

All the guarantees provided by ultimate controlling shareholders, Ms. Su Lifan, Ms. Tan Yuxing, the ultimate controlling shareholder's relative and the ultimate controlling shareholder's relative's company on the Group's bank borrowing will be fully released upon Listing.

(e) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	161,002	54,745	59,458	718,937
6-12 months	35,044	382,669	379,978	57,670
1-2 years	70,089	265,272	51,256	236,640
Over 2 years	466,653	418,859	267,400	654,755
	<u>732,788</u>	<u>1,121,545</u>	<u>758,092</u>	<u>1,668,002</u>

(f) The repayment terms of the borrowings are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	120,909	437,414	439,436	776,607
1 to 2 years	145,226	265,271	51,256	236,640
2 to 5 years	210,266	232,573	148,066	196,327
Over 5 years	256,387	186,287	119,334	458,428
	<u>732,788</u>	<u>1,121,545</u>	<u>758,092</u>	<u>1,668,002</u>

(g) The annual weighted average effective interest rates were as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
Bank and other borrowings	<u>7.95%</u>	<u>6.26%</u>	<u>5.74%</u>	<u>7.45%</u>

(h) The carrying amounts of the borrowings approximate their fair values as at 31 December 2016, 2017, 2018 and 30 June 2019 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

(i) The amounts of unused uncommitted bank facilities as at 31 December 2016, 2017, 2018 and 30 June 2019 are RMB493,000,000, RMB268,002,000, RMB322,502,000 and RMB39,500,000.

31 Trade and other payables

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))	228,831	305,617	489,454	888,792
Notes payable	—	—	135,505	158,183
Amounts due to non-controlling interests of acquired subsidiaries (Note (b))	—	19,027	303,172	55,273
Amounts due to original shareholder of a subsidiary acquired (Note (b))	—	—	449,410	—
Outstanding consideration payables for acquisitions (Note (c))	14,000	163,120	96,760	75,672
Contract liabilities (Note 5)	425,027	1,288,935	2,053,595	2,013,061
Deposits payables (Note (d))	163,633	164,354	61,622	54,203
Accrued expenses	9,513	12,865	40,613	43,435
Salaries payable	15,796	25,796	45,985	34,676
Other taxes payable	14,510	121,521	189,266	188,634
Interest payable	862	2,293	2,280	4,118
Other payables (Note (e))	<u>86,039</u>	<u>86,170</u>	<u>32,484</u>	<u>54,441</u>
	<u>958,211</u>	<u>2,189,698</u>	<u>3,900,146</u>	<u>3,570,488</u>

- (a) Aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	155,813	176,697	223,831	601,937
Over 90 days and within 365 days	25,947	45,108	181,705	207,583
Over 365 days	47,071	83,812	83,918	79,272
	<u>228,831</u>	<u>305,617</u>	<u>489,454</u>	<u>888,792</u>

The Group's trade payables as at 31 December 2016, 2017, 2018 and 30 June 2019 are denominated in RMB and HK\$.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	211,351	291,661	489,454	888,792
HK\$	17,480	13,956	—	—
	<u>228,831</u>	<u>305,617</u>	<u>489,454</u>	<u>888,792</u>

- (b) During the year ended 31 December 2018, Guangzhou Yinong Enterprise Co., Ltd. ("Guangzhou Yinong"), one of the subsidiaries of the Group, acquired 50.1% equity interest of Guangzhou Jinghong Investment Co., Ltd ("Guangzhou Jinghong") from Guangzhou Jinghengyue Investment Co., Ltd ("Guangzhou Jinghengyue"). Prior to the acquisition, Guangzhou Jinghengyue and the non-controlling interest advanced total amount of RMB449,410,000 and RMB265,742,000, respectively to Guangzhou Jinghong, which was further advanced to a joint venture for the purpose of acquisition of land use rights. The amounts due to the original shareholder and the non-controlling interest had been fully paid in 2019. The remaining balance represents advances from the non-controlling interests of certain subsidiaries of the Group in the original course of business, which are interest-free, unsecured and repayable on demand.
- (c) The amounts mainly comprise the consideration payables for the acquisitions, which are repayable according to the terms and conditions agreed with the original shareholders.
- (d) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (e) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

32 Cash flow information

(a) Cash generated from/(used in) operations

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit/(loss) for the year/period	84,507	86,078	381,759	(19,128)	181,175
Adjustments for:					
Income tax expense	57,996	97,330	157,511	7,211	163,427
Finance income	(672)	(971)	(649)	(388)	(452)
Finance costs	—	10,537	—	—	—
Depreciation and amortisation of intangible assets and right-of-use assets (Note 6)	7,116	23,915	25,586	12,906	14,076
Share of results of an associate	228	792	1,282	559	650
Share of results of a joint venture	—	—	2,781	—	158
Fair value gains on investment properties	(58,972)	(33,135)	(11,097)	(8,842)	(1,298)
Interest on financial assets at fair value through profit or loss (Note 9)	(1,409)	(3,593)	(9,123)	(6,760)	(870)
Gains on disposal of subsidiaries	—	—	(210,358)	(7,326)	(59,706)
Provision for impairment of other receivables	34	336	170	253	(78)
Losses on disposals of property, plant and equipment	2	110	8	2	9
Elimination of unrealised profits	—	—	—	—	3,586
	<u>88,830</u>	<u>181,399</u>	<u>337,870</u>	<u>(21,513)</u>	<u>300,677</u>
Changes in working capital:					
Properties under development and completed properties held for sale	(181,683)	(728,751)	(1,485,739)	(131,051)	(551,556)
Restricted cash	(26,296)	(58,174)	56,883	(34,860)	(13,471)
Trade and other receivables and prepayments	257,958	(242,810)	(771,272)	(543,134)	(188,955)
Prepaid taxes (excluding prepaid income taxes)	(5,682)	(70,302)	2,771	(64,963)	(17,262)
Contract costs	(23,004)	(7,462)	(11,125)	(18,529)	(7,556)
Trade and other payables	223,003	840,859	1,913,460	1,246,360	329,844
	<u>244,296</u>	<u>(266,640)</u>	<u>(295,022)</u>	<u>453,823</u>	<u>(448,956)</u>
Cash generated from/(used in) operations	<u>333,126</u>	<u>(85,241)</u>	<u>42,848</u>	<u>432,310</u>	<u>(148,279)</u>

- (b) In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December			Six months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment					
Net book amount (Note 18)	2	275	251	54	9
Losses on disposals (Note 9)	(2)	(110)	(8)	(2)	(9)
Proceeds	—	165	243	52	—

- (c) *Reconciliation of liabilities arising from financing activities*

	Borrowings due within 1 year	Borrowings due after 1 year	Amounts due to related parties	Lease liabilities	Total
Balance as at 1 January 2016	101,350	340,338	490,205	7,535	939,428
Cash flows — operating activities	—	—	(150)	(482)	(632)
Cash flows — financing activities	(101,350)	392,450	48,354	(2,078)	337,376
Reclassification	120,909	(120,909)	—	—	—
Currency translation differences	—	—	—	447	447
Other non-cash movements (Note (i))	—	—	—	9,051	9,051
Balance as at 31 December 2016	<u>120,909</u>	<u>611,879</u>	<u>538,409</u>	<u>14,473</u>	<u>1,285,670</u>
Balance as at 1 January 2017	120,909	611,879	538,409	14,473	1,285,670
Cash flows — operating activities	—	—	100	(603)	(503)
Cash flows — financing activities	(120,909)	463,366	90,784	(21,232)	412,009
Reclassification	437,414	(437,414)	—	—	—
Currency translation differences	—	—	—	(370)	(370)
Other non-cash movements (Note (i))	—	46,300	—	72,105	118,405
Balance as at 31 December 2017	<u>437,414</u>	<u>684,131</u>	<u>629,293</u>	<u>64,373</u>	<u>1,815,211</u>
Balance as at 1 January 2018	437,414	684,131	629,293	64,373	1,815,211
Cash flows — operating activities	—	—	4,773	(444)	4,329
Cash flows — financing activities	(237,414)	(190,819)	529,877	(9,327)	92,317
Reclassification	239,436	(239,436)	—	—	—
Currency translation differences	—	—	—	150	150
Other non-cash movements (Note (i))	—	64,780	(43,810)	5,221	26,191
Balance as at 31 December 2018	<u>439,436</u>	<u>318,656</u>	<u>1,120,133</u>	<u>59,973</u>	<u>1,938,198</u>

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2019	439,436	318,656	1,120,133	59,973	1,938,198
Cash flows — operating activities	—	—	—	(1,473)	(1,473)
Cash flows — financing activities	103,632	395,338	248,108	(1,352)	745,726
Reclassification	233,539	(233,539)	—	—	—
Currency translation differences	—	—	—	(32)	(32)
Other non-cash movements (Note (i))	—	410,940	(4,903)	1,668	407,705
Balance as at 30 June 2019	<u>776,607</u>	<u>891,395</u>	<u>1,363,338</u>	<u>58,784</u>	<u>3,090,124</u>
Balance as at 1 January 2018 (Unaudited)	437,414	684,131	629,293	64,373	1,815,211
Cash flows — operating activities	—	—	(30)	(235)	(265)
Cash flows — financing activities	(220,067)	—	143,684	(6,725)	(83,108)
Reclassification	139,350	(139,350)	—	—	—
Currency translation differences	—	—	—	8	8
Other non-cash movements (Note (i))	—	(174,100)	(286,531)	4,683	(455,948)
Balance at 30 June 2018	<u>356,697</u>	<u>370,681</u>	<u>486,416</u>	<u>62,104</u>	<u>1,275,898</u>

- (i) Other non-cash movements mainly comprise: (i) the acquisition of subsidiaries with loans, (ii) accrued interest expense and lease liabilities, (iii) the capitalisation of amounts due to controlling shareholder, (iv) the loans and amounts due to related parties were transferred to held for sale liabilities for disposal of subsidiaries, and (v) the amounts due to related parties were settled with corresponding receivables arising from rendering of management consultancy services.
- (d) For the year ended 31 December 2018, non-cash movements of RMB566,632,000 from investing activities of amounts due from related parties mainly comprise the receivables from the joint venture, Wanjing, prior to the acquisition of Guangzhou Jinghong from the third party.

33 Guarantee

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	<u>331,417</u>	<u>638,253</u>	<u>894,058</u>	<u>994,507</u>

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

34 Commitments

Commitments for capital and property development expenditure:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Contracted but not provided for:				RMB'000
Property development activities	<u>683,260</u>	<u>776,898</u>	<u>2,170,163</u>	<u>1,662,827</u>

35 Lease liabilities

(a) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to lease liabilities:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Right-of-use assets	<u>28,214</u>	<u>266,247</u>	<u>262,703</u>	<u>258,215</u>

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Lease liabilities				RMB'000
Current	4,055	3,431	2,120	2,039
Non-current	<u>10,418</u>	<u>60,942</u>	<u>57,853</u>	<u>56,745</u>
	<u>14,473</u>	<u>64,373</u>	<u>59,973</u>	<u>58,784</u>

(b) *Amounts recognised in the consolidated statements of comprehensive income*

The consolidated statements of comprehensive income show the following amounts relating to lease:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Amortisation charge of right-of-use assets	<u>3,142</u>	<u>7,684</u>	<u>8,459</u>	<u>4,653</u>
Interest expense (included in finance expenses)	<u>482</u>	<u>603</u>	<u>444</u>	<u>1,473</u>

The total cash outflow for lease for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019 were RMB2,560,000, RMB21,835,000, RMB9,771,000 and RMB2,825,000, respectively.

(c) *Commitments and present value of lease liabilities are shown in the table below during the Track Record Period:*

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Commitments in relation to lease liabilities are payable as follows:				
Within 1 year	4,668	6,479	5,029	4,871
1 to 2 years	3,203	6,029	4,166	3,327
2 to 5 years	6,333	10,849	9,975	9,976
Over 5 years	<u>2,005</u>	<u>142,472</u>	<u>139,217</u>	<u>137,548</u>
Minimum lease payments	<u>16,209</u>	<u>165,829</u>	<u>158,387</u>	<u>155,722</u>
Future finance charge	<u>(1,736)</u>	<u>(101,456)</u>	<u>(98,414)</u>	<u>(96,938)</u>
Total lease liabilities	<u>14,473</u>	<u>64,373</u>	<u>59,973</u>	<u>58,784</u>

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
The present value of lease liabilities is as follows:				
Within 1 year	4,055	3,431	2,120	2,039
1 to 2 years	2,748	3,125	1,383	568
2 to 5 years	5,778	2,602	1,823	1,867
Over 5 years	1,892	55,215	54,647	54,310
	<u>14,473</u>	<u>64,373</u>	<u>59,973</u>	<u>58,784</u>

(d) *The development of lease liabilities is shown in the table below during the Track Record Period:*

	Lease liabilities-current RMB'000	Lease liabilities-non-current RMB'000
At 1 January 2016	1,417	6,118
Lease payment	(2,560)	—
Accrued interest	482	—
Increase in right-of-use assets	788	7,781
Exchange difference	105	342
Reclassification between current and non-current	<u>3,823</u>	<u>(3,823)</u>
As at 31 December 2016	<u>4,055</u>	<u>10,418</u>
	Lease liabilities-current RMB'000	Lease liabilities-non-current RMB'000
At 1 January 2017	4,055	10,418
Lease payment	(21,835)	—
Accrued interest	603	—
Increase in right-of-use assets	18,345	53,157
Exchange difference	(120)	(250)
Reclassification between current and non-current	<u>2,383</u>	<u>(2,383)</u>
As at 31 December 2017	<u>3,431</u>	<u>60,942</u>

	Lease liabilities- current <i>RMB'000</i>	Lease liabilities- non-current <i>RMB'000</i>
At 1 January 2018	3,431	60,942
Lease payment	(9,771)	—
Accrued interest	444	—
Increase in right-of-use assets	4,777	—
Exchange difference	90	60
Reclassification between current and non-current	3,149	(3,149)
	<u>2,120</u>	<u>57,853</u>
As at 31 December 2018	<u>2,120</u>	<u>57,853</u>
	Lease liabilities- current <i>RMB'000</i>	Lease liabilities- non-current <i>RMB'000</i>
At 1 January 2019	2,120	57,853
Lease payment	(2,825)	—
Accrued interest	1,473	—
Increase in right-of-use-assets	195	—
Exchange difference	(3)	(29)
Reclassification between current and non-current	1,079	(1,079)
	<u>2,039</u>	<u>56,745</u>
As at 30 June 2019	<u>2,039</u>	<u>56,745</u>
	Lease liabilities- current <i>RMB'000</i>	Lease liabilities- non-current <i>RMB'000</i>
At 1 January 2018 (Unaudited)	3,431	60,942
Lease payment	(6,960)	—
Accrued interest	235	—
Increase in right-of-use assets	4,448	—
Exchange difference	4	4
Reclassification between current and non-current	1,609	(1,609)
	<u>2,767</u>	<u>59,337</u>
As at 30 June 2018	<u>2,767</u>	<u>59,337</u>

36 Capital injection from non-controlling interests

- (a) During the year ended 31 December 2017, Guangdong Hengyue Investment Co., Ltd. (“Guangdong Hengyue”) and Guangzhou Yikun Investment Co., Ltd. (“Guangzhou Yikun”), the non-controlling interests of Guangzhou Chongyu Investment Co., Ltd. (“Guangzhou Chongyu”), one of the Group’s non-wholly owned subsidiary, contributed RMB40,490,000 and RMB63,760,000 respectively, while the Group also contributed RMB240,000,000 according to its proportion of the equity interest.

During the year ended 31 December 2017, Guangdong Hengyue, the non-controlling interests of Guangzhou Jinghengyue Investment Co., Ltd. (“Guangzhou Jinghengyue”), one of the Group’s non-wholly owned subsidiary, contributed RMB71,460,000, while the Group also contributed RMB110,000,000 according to its proportion of the equity interest.

- (b) During the year ended 31 December 2018, Guangdong Hengyue and Guangzhou Yikun contributed RMB1,660,000 and RMB2,745,000 to Guangzhou Chongyu and Guangzhou Jinghengyue, respectively.
- (c) During the six months ended 30 June 2019, Guangdong Hengyue and Zhongshan Yuelai Real Estate Investment Group Co., Ltd. contributed RMB526,000 and RMB2,500,000 to Guangzhou Chongyu and Zhongshan Jingyue Investment Co., Ltd., respectively.

37 Related party transactions

The ultimate holding company of the Company is Sze Ming, and the ultimate controlling shareholder of the Company is Mr. Michael Chan.

(a) *Name and relationship with related parties*

Name	Relationship
Mr. Michael Chan	Ultimate controlling shareholder
Guangdong Zhuosidao Education Investment Management Co., Ltd (“Zhuosidao Education”) 廣東卓思道教育投資管理有限公司	Controlled by ultimate controlling shareholder
Sino Kingdom Development Limited (“Sino Kingdom”) 世基發展有限公司	Controlled by ultimate controlling shareholder
Golden United Development Limited (“Golden United”) 嘉源發展有限公司	Controlled by ultimate controlling shareholder
Donghuzhou 廣州市南沙東湖洲房地產有限公司	Associate of the Group
Wanjing 廣州市萬景房地產有限公司	Joint Venture of the Group
Sze Ming 思銘有限公司	Ultimate holding company of the Company

(b) *Transactions with related parties*

The Group had the following transactions with related parties during the Track Record Period:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
(i) Sales of properties					
- ultimate controlling shareholder	—	—	496	—	—
Total	<u>—</u>	<u>—</u>	<u>496</u>	<u>—</u>	<u>—</u>
(ii) Provision of guarantee in respect of borrowings outstanding					
- ultimate controlling shareholder	265,000	250,670	222,010	236,340	543,067
Total	<u>265,000</u>	<u>250,670</u>	<u>222,010</u>	<u>236,340</u>	<u>543,067</u>
(iii) Rendering of property management services					
- Donghuzhou	—	—	707	60	324
Total	<u>—</u>	<u>—</u>	<u>707</u>	<u>60</u>	<u>324</u>
(iv) Rendering of management consultancy services					
- Donghuzhou	—	—	—	—	11,950
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,950</u>

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(c) *Balances with related parties*

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Amounts due from an associate and a joint venture				
Trade balances				
- Donghuzhou	—	—	333	1,571
	—	—	333	1,571
Non-trade balances				
- Donghuzhou	—	35,143	51,857	51,869
- Wanjing	—	—	851,186	—
	—	35,143	903,043	51,869
Amounts due from ultimate controlling shareholder and entities controlled by ultimate controlling shareholder				
Non-trade balances				
- Golden United	—	125	—	—
- Zhuosidao Education	13,200	53,728	39,826	—
- Sze Ming	—	—	—	11
- Ultimate controlling shareholder (<i>Note (i)</i>)	76,700	73,700	37,500	14,500
	89,900	127,553	77,326	14,511
Amounts due to an associate				
Prepayments from				
Trade balance				
- Donghuzhou	—	—	4,903	—
	—	—	4,903	—

Note (i):

Changes in amount due from ultimate controlling shareholder are included as cash flows from financing activities in consolidated statement of cash flows.

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Amounts due to ultimate controlling shareholder and an entity controlled by ultimate controlling shareholder				RMB'000
Trade balances				
- Ultimate controlling shareholder	<u>30</u>	<u>130</u>	<u>—</u>	<u>—</u>
	<u>30</u>	<u>130</u>	<u>—</u>	<u>—</u>
Non-trade balances				
- Sino Kingdom	216,901	291,966	—	—
- Ultimate controlling shareholder	<u>321,478</u>	<u>337,197</u>	<u>1,115,230</u>	<u>1,363,338</u>
	<u>538,379</u>	<u>629,163</u>	<u>1,115,230</u>	<u>1,363,338</u>

Amounts due from/to related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

Out of the amounts due to ultimate controlling shareholder, an amount of HK\$515.7 million (RMB453.9 million) were capitalised on 12 November 2019 by the issue of one Share (Note 42(i)). The remaining amounts due from and due to ultimate controlling shareholder will be settled in cash before Listing.

(d) **Key management compensation**

Key management compensation for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019 are set out below:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	2018	2019
				RMB'000	RMB'000
Key management compensation				(Unaudited)	
- Salaries and other employee benefits	4,454	8,814	19,145	8,167	10,397
- Pension costs	<u>57</u>	<u>76</u>	<u>101</u>	<u>51</u>	<u>50</u>
	<u>4,511</u>	<u>8,890</u>	<u>19,246</u>	<u>8,218</u>	<u>10,447</u>

38 Particulars of subsidiaries

(a) Particulars of the subsidiaries of the Group as at 31 December 2016, 2017, 2018 and 30 June 2019 are set out as below:

Name of companies	Date of incorporation/ establishment status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
						As at 31 December 2016	2017	2018	30 June 2019		As at and as at the date of this report
Direct interests:											
景業控股有限公司 Jingye Holdings Limited	13/12/2013	Limited liability company	BVI	Investment holding	USD101	USD101	100%	100%	100%	100%	ix
Indirect interests:											
廣州意禮實業有限公司 Guangzhou Yinong Enterprise Co., Ltd. (“Guangzhou Yinong”)	01/07/2002	Limited liability company	Mainland China	Property development	RMB500,000,000	RMB500,000,000	100%	100%	100%	100%	i, ii, iii
廣州市景業房地產開發有限公司 Jingye Real Estate Development Co., Ltd.	18/06/2008	Limited liability company	Mainland China	Property development	RMB301,000,000	RMB301,000,000	100%	100%	100%	100%	i, v, vi
海南景業房地產開發有限公司 Hainan Jingye Real Estate Development Co., Ltd.	25/12/2013	Limited liability company	Mainland China	Property development	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	i, ii, iii
廣州卓都物業管理有限公司 Guangzhou Zhuodu Property Management Co., Ltd. (“Guangzhou Zhuodu”)	30/07/2014	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	i, ii, iii

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
							As at 31 December 2016	2017	2018	2019		As at and as at the date of this report
海南卓都物業服務有限公司 Hainan Zhuodu Property Services Co., Ltd.	31/10/2014	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	100%	xi
中山市景雅裝飾工程有限公司 Zhongshan Jingya Decoration Engineering Co., Ltd.	25/03/2005	Limited liability company	Mainland China	Building decoration	RMB500,000	RMB500,000	100%	100%	100%	100%	100%	i, ii, iii
廣州廣澤房地產開發有限公司 Guangze Real Estate Development Co., Ltd. ("Guangzhou Guangze")	05/11/2010	Limited liability company	Mainland China	Property development	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	100%	i, ii, iii
廣州市江河水泥製品有限公司 Guangzhou Jianghe Cement Products Co., Ltd.	14/03/2001	Limited liability company	Mainland China	Property development	RMB10,500,000	RMB10,500,000	100%	100%	100%	100%	100%	i, ii, iii
景業控股(香港)有限公司 Jingye Holdings (HK) Limited ("Jingye Holdings (HK)")	02/01/2014	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	100%	100%	100%	100%	100%	vii, viii, xiv
景業健康產業控股有限公司 Jingye Health Industry Holdings Limited	19/11/2015	Limited liability company	BVI	Health management	USD1	USD1	100%	100%	100%	100%	100%	ix
景業健康產業有限公司 Jingye Health Industry Limited	30/11/2015	Limited liability company	Hong Kong	Health management	HK\$1	HK\$1	100%	100%	100%	100%	100%	vii, viii, xiv

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
							As at 31 December 2016	2017	2018	2019		As at and as at the date of this report
廣州卓思道酒店管理有限公司 Guangzhou Zhuosidao Hotel Management Co., Ltd.	22/07/2015	Limited liability company	Mainland China	Hotel management	RMB50,000,000	RMB50,000,000	N/A	100%	100%	100%	100%	iv, v, vi
廣州市舜邦投資管理有限公司 Shunbang Investment Management Co., Ltd.	21/08/2015	Limited liability company	Mainland China	Property investment	RMB50,000,000	RMB50,000,000	N/A	N/A	100%	100%	100%	i, ii, iii
廣東景譽健康產業發展有限公司 Guangdong Jingye Health Industry Development Co., Ltd.	05/12/2016	Limited liability company	Mainland China	Business management	RMB10,000,000	RMB1,016,000	100%	100%	100%	100%	100%	xi
廣州市舜安健康產業管理有限公司 Guangzhou Shun'an Health Industry Management Co., Ltd.	05/01/2016	Limited liability company	Mainland China	Health management	RMB1,000,000	RMB1,000,000	N/A	N/A	100%	100%	100%	i, ii, iii
廣州景譽健康管理發展有限公司 Guangzhou Jingyu Health Industry Development Co., Ltd.	10/03/2016	Limited liability company	Mainland China	Health management	RMB10,000,000	RMB200,000	100%	100%	100%	100%	100%	i, ii, iii
廣州崇譽投資有限公司 Guangzhou Chongyu Investment Co., Ltd.	18/01/2017	Limited liability company	Mainland China	Business management	RMB400,000,000	RMB345,910,000	N/A	60%	60%	60%	60%	i, ii
廣州新芳實業有限公司 Guangzhou Xinfang Enterprise Co., Ltd.	08/06/2000	Limited liability company	Mainland China	Property development	RMB399,000,000	RMB344,010,000	N/A	60%	60%	60%	60%	i, ii

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
							As at 31 December 2016	2017	2018	2019		As at and as at the date of this report
廣州顯邦投資有限公司 Guangzhou Haobang Investment Co., Ltd.	31/05/2010	Limited liability company	Mainland China	Property development	RMB10,000,000	RMB10,000,000	N/A	60%	60%	60%	60%	i, ii
英德景業房地產有限公司 Yingde Jingye Real Estate Co., Ltd.	12/09/2017	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	N/A	100%	100%	100%	100%	i, ii
廣州創藝裝飾工程有限公司 Guangzhou Chuangyi Decoration Engineering Co., Ltd.	24/04/2017	Limited liability company	Mainland China	Building decoration	RMB50,000,000	RMB50,000,000	N/A	100%	100%	100%	100%	i, ii
英德桑緣農業發展有限公司 Yingde Sangyuan Agriculture Development Co., Ltd.	11/04/2014	Limited liability company	Mainland China	Property development	RMB52,000,000	RMB52,000,000	N/A	80%	80%	80%	80%	i, ii
英德市山湖居房地產開發有限公司 Yingde Shanhuju Real Estate Development Co., Ltd.	22/07/2011	Limited liability company	Mainland China	Property development	RMB25,000,000	RMB25,000,000	N/A	60%	80%	80%	100%	i, ii
英德景創房地產開發有限公司 Yingde Jingchuang Real Estate Development Co., Ltd.	19/09/2017	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB35,000,000	N/A	70%	70%	70%	70%	i, ii
英德金雄水泥有限公司 Yingde Jinxiong Cement Co., Ltd.	19/05/1994	Limited liability company	Mainland China	Property development	RMB24,120,000	RMB24,120,000	N/A	70%	100%	100%	100%	i, ii

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
							As at 31 December 2016	2017	2018	2019		As at and as at the date of this report
廣州市番禺區德誠銅業有限公司 Guangzhou Panyu Decheng Copper Co., Ltd.	08/06/1999	Limited liability company	Mainland China	Property development	RMB2,000,000	RMB2,000,000	N/A	100%	100%	100%	100%	i, ii
舜邦投資管理(香港)有限公司 Shunbang Investment Management (HK) Limited	22/11/2017	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	N/A	100%	100%	100%	100%	xiv
舜邦投資管理控股有限公司 Shunbang Investment Management Holdings Limited	01/11/2017	Limited liability company	BVI	Investment holding	USD10	USD10	N/A	100%	100%	100%	100%	ix
舜邦商務管理(廣州)有限公司 Corporate Management (Guangzhou) Co., Ltd.	23/04/2018	Limited liability company	Mainland China	Business management	RMB100,000,000	RMB50,000,000	N/A	N/A	100%	100%	100%	xi
景業名邦控股(廣州)有限公司 Jingye Mingbang Holdings (Guangzhou) Co., Ltd.	27/03/2018	Limited liability company	Mainland China	Business management	RMB10,000,000	RMB0	N/A	N/A	100%	100%	100%	i
騰衝景業房地產開發有限公司 Tengchong Jingye Real Estate Development Co., Ltd.	24/01/2018	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	N/A	N/A	100%	100%	100%	i

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
							As at 31 December 2016	2017	2018	2019		As at and as at the date of this report
卓思道酒店管理控股有限公司 Zhuosidao Hotel Management Holdings Limited	27/03/2018	Limited liability company	BVI	Investment holding	USD10	USD10	N/A	N/A	100%	100%	100%	ix
景業酒店管理(香港)有限公司 Jingye Hotel Management (HK) Limited	30/04/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	N/A	N/A	100%	100%	100%	xiv
株洲景業房地產開發有限公司 Zhuzhou Jingye Real Estate Development Co., Ltd.	25/07/2018	Limited liability company	Mainland China	Property development	RMB300,000,000	RMB90,000,000	N/A	N/A	100%	100%	100%	i
廣州市景悅房地產開發有限公司 Guangzhou Jingyue Real Estate Co., Ltd.	20/08/2018	Limited liability company	Mainland China	Property development	RMB10,000,000	RMB0	N/A	N/A	90%	90%	90%	xi
肇慶市景悅科技發展有限公司 Zhaqing Jingyue Technology Development Co., Ltd.	28/08/2018	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB30,000,000	N/A	N/A	90%	90%	90%	i
廣州市普盛房地產開發有限公司 Pusheng Real Estate Co., Ltd.	22/12/2015	Limited liability company	Mainland China	Property development	RMB5,000,000	RMB5,000,000	N/A	N/A	80%	80%	80%	i
海南炬煜房地產開發有限公司 Hainan Xuanyu Real Estate Development Co., Ltd.	16/10/2017	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	N/A	N/A	80%	80%	80%	i

Name of companies	Date of incorporation/ establishment	Type of legal establishment status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes
							As at 31 December 2016	As at 31 December 2017	As at 30 June 2018	As at 30 June 2019	
雅安景業健康產業發展有限公司 Ya'an Jingye Health Industry Development Co., Ltd.	27/07/2018	Limited liability company	Mainland China	Health management	RMB100,000,000	RMB0	N/A	100%	100%	100%	xi
英德市錦坤實業投資有限公司 Yingde Jinkun Enterprise Investment Co., Ltd.	11/09/2014	Limited liability company	Mainland China	Property development	RMB1,000,000	RMB1,000,000	N/A	100%	100%	100%	i
英德市卓都物業管理有限公司 Yingde Zhuodu Property Management Co., Ltd.	24/08/2018	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB0	N/A	100%	100%	100%	xi
雲南卓都物業管理有限公司 Yunnan Zhuodu Property Management Co., Ltd.	20/09/2018	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB1,000,000	N/A	100%	100%	100%	xi
創藝控股有限公司 Chuangyi Holdings Limited	05/07/2018	Limited liability company	BVI	Investment holding	USD10	USD10	N/A	100%	100%	100%	ix
創藝控股(香港)有限公司 Chuangyi Holdings (HK) Limited	30/08/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	N/A	100%	100%	100%	xi
廣州景弘投資有限公司 Guangzhou Jinghong Investment Co., Ltd.	05/06/2018	Limited liability company	Mainland China	Investment holding	RMB12,195,200	RMB0	N/A	50.1%	N/A	N/A	xi
泓創控股(廣州)有限公司 Hongchuang Holdings (Guangzhou) Co., Ltd.	25/10/2018	Limited liability company	Mainland China	Investment holding	RMB5,000,000	RMB5,000,000	N/A	100%	100%	100%	xi

Name of companies	Date of incorporation/ establishment	Type of legal establishment status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes
							As at 31 December 2016	As at 31 December 2017	As at 30 June 2018	As at 30 June 2019	
廣州市泓創建設有限公司 Guangzhou Hongchuang Construction Co., Ltd.	07/11/2018	Limited liability company	Mainland China	Construction Development	RMB50,000,000	RMB5,000,000	N/A	100%	100%	100%	xi
定佳有限公司 Sure Fine Limited ("Sure Fine")	30/07/2014	Limited liability company	BVI	Investment holding	USD1	USD1	100%	100%	N/A	N/A	ix
佳力電子有限公司 Well Power Electronics Limited ("Well Power")	26/05/2011	Limited liability company	Hong Kong	Property development	HK\$1	HK\$1	100%	100%	N/A	N/A	vii, viii
廣州景恒悅投資有限公司 Guangzhou Jinghengyue Investment Co., Ltd. ("Guangzhou Jinghengyue")	16/12/2016	Limited liability company	Mainland China	Property development	RMB200,000,000	RMB184,205,000	55%	55%	N/A	N/A	xi
廣州聚信股權投資基金管理有限公司 Juxin Equity Interest Investment Fund Management Co., Ltd. ("Guangzhou Juxin")	02/03/2017	Limited liability company	Mainland China	Investment	RMB10,000,000	RMB3,000,000	N/A	100%	N/A	N/A	xi
廣州天悅城改投資有限公司 Guangzhou Tianyue Chenggai Investment Co., Ltd.	21/06/2017	Limited liability company	Mainland China	Property development	RMB100,000,000	RMB16,450,000	N/A	55%	N/A	N/A	xi
中山市景悅投資有限公司 Zhongshan Jingyue Investment Co., Ltd.	12/04/2019	Limited liability company	Mainland China	Property investment	RMB50,000,000	RMB0	N/A	N/A	N/A	95%	xiii

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Proportion of ownership interest				Notes	
							As at 31 December 2016	2017	2018	2019		As at and as at the date of this report
中山市悅恒商業管理有限公司 Zhongshan Yueheng Corporate Management Co., Ltd. ("Zhongshan Yueheng")	20/09/2010	Limited liability company	Mainland China	Property management	RMB500,000	RMB500,000	N/A	N/A	N/A	95%	95%	xii
湖南卓郡物業服務有限公司 Hunan Zhuodu Property Services Co., Ltd.	08/01/2019	Limited liability company	Mainland China	Property management	RMB3,000,000	RMB0	N/A	N/A	N/A	100%	100%	xiii
景業名邦投資(威海)有限公司 Jingye Mingbang Investment (Weihai) Co., Ltd.	24/06/2019	Limited liability company	Mainland China	Investment holding	RMB350,000,000	RMB130,000,000	N/A	N/A	N/A	100%	100%	xiii
威海景隆投資發展有限公司 Weihai Jinglong Investment Development Co., Ltd.	04/07/2019	Limited liability company	Mainland China	Investment holding	RMB130,000,000	RMB0	N/A	N/A	N/A	N/A	100%	xiii
廣州景隆投資發展有限公司 Guangzhou Jinglong Investment Development Co., Ltd.	15/07/2019	Limited liability company	Mainland China	Investment holding	RMB130,000,000	RMB0	N/A	N/A	N/A	N/A	100%	xiii
肇慶卓郡物業管理有限公司 Zhaoqing Zhuodu Property Management Co., Ltd.	16/08/2019	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB0	N/A	N/A	N/A	N/A	100%	xiii

The English names of the companies 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 available.

- i The statutory financial statements of these companies for the year ended 31 December 2018 were audited by Guangdong Hongjian CPA Limited (廣東宏建會計師事務所有限公司).
- ii The statutory financial statements of these companies for the year ended 31 December 2017 were audited by Guangdong Hongjian CPA Limited (廣東宏建會計師事務所有限公司).
- iii The statutory financial statements of these companies for the year ended 31 December 2016 were audited by Guangdong Hongjian CPA Limited (廣東宏建會計師事務所有限公司).

- iv The statutory financial statements of these companies for the year ended 31 December 2018 were audited by Guangdong Link CPA Limited (廣東智合會計師事務所有限公司).
- v The statutory financial statements of these companies for the year ended 31 December 2017 were audited by Guangdong Link CPA Limited (廣東智合會計師事務所有限公司).
- vi The statutory financial statements of these companies for the year ended 31 December 2016 were audited by Guangdong Link CPA Limited (廣東智合會計師事務所有限公司).
- vii The statutory financial statements of these companies for the year ended 31 December 2017 were audited by Fung&Pang C.P.A Limited(馮彭會計師有限公司).
- viii The statutory financial statements of these companies for the year ended 31 December 2016 were audited by Fung&Pang C.P.A Limited(馮彭會計師有限公司).
- ix Not applicable as there are no statutory audit requirement in BVI and Cayman.
- x No statutory financial statements have been prepared by these companies for the year ended 31 December 2018.
- xi No statutory financial statements have been prepared by these companies.
- xii As the acquisition took place after 31 December 2018, no statutory financial statements for the years ended 31 December 2016, 2017 and 2018 have been obtained.
- xiii Hunan Zhuodu Property Services Co., Ltd., Zhongshan Jingyue Investment Co., Ltd, Jingye Mingbang Investment (Weihai) Co., Ltd., Weihai Jinglong Investment Development Co., Ltd, Guangzhou Jinglong Investment Development Co., Ltd. and Zhaoqing Zhuodu Property Management Co., Ltd. were incorporated in 2019, no statutory financial statements for the years ended 31 December 2016, 2017 and 2018 have been prepared.
- xiv The statutory financial statements of these companies for the year ended 31 December 2018 were audited by Fung&Pang C.P.A Limited (馮彭會計師有限公司).

39 Disposal of subsidiaries

(i) *Description*

- (a) On 11 May 2018, Guangzhou Zhuodu entered into an equity transfer agreement with Juxin Business Management (Guangzhou) Co., Ltd. (“Juxin Business Management”), pursuant to which, Juxin Business Management acquired 100% equity interest of Guangzhou Juxin at a consideration of RMB3 million, based on the equity interest of Guangzhou Juxin, which is approximately to its fair value. The disposal was completed on 11 May 2018. On 28 June 2019, Guangzhou Zhuodu received the disposal consideration of Guangzhou Juxin.
- (b) On 15 June 2018, Guangzhou Guangze and Guangdong Hengyue entered into an equity transfer agreement with Jinghengyue Holdings (HK) Limited (“Jinghengyue HK”), pursuant to which, Jinghengyue HK acquired 55% equity interest of Guangzhou Jinghengyue at a consideration of RMB110 million from Guangzhou Guangze. The consideration was based on the equity interest of Guangzhou Jinghengyue, which is approximately to its fair value. The transfer was completed on 15 June 2018.
- (c) On 30 June 2018, Jingye Holdings (HK) Limited entered into an agreement with Asia Perfect Development Limited to dispose of Sure Fine together with its wholly-owned subsidiary, Well Power at a consideration of HK\$600 million, based on the fair value of Sure Fine. The transfer was completed on 18 October 2018.
- (d) On 11 June 2019, Guangzhou Yinong entered into an equity transfer agreement with Guangzhou Henghui Investment Co., Ltd. (the “Guangzhou Henghui”), pursuant to which, Guangzhou Henghui acquired the 50.1% equity interest of Guangzhou Jinghong from Guangzhou Yinong at a consideration of RMB74.9 million, based on the equity interest of Guangzhou Jinghong, which is approximately to its fair value. The disposal was completed on 11 June 2019.

(ii) *Details of the disposal of the subsidiaries*

During the year ended 31 December 2018 and six months ended 30 June 2019, the Group disposed of interests in the subsidiaries mentioned above to third parties. Details of the disposals are as follows:

	Year ended 31 December 2018 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
Disposal consideration		
- Cash to be received	3,000	—
- Cash received	<u>642,620</u>	<u>74,893</u>
Property, plant and equipment	224	—
Investment in an associate/a joint venture	24,500	20,401
Deferred income tax assets	4,120	50
Properties under development	313,823	—
Trade and other receivables and prepayments	466,845	163,697
Financial assets at fair value through profit or loss	13,000	—
Cash and cash equivalents	7,420	40
Trade and other payables	(325,574)	(169,055)
Non-controlling interests	<u>(69,096)</u>	<u>54</u>
Total net assets	<u>435,262</u>	<u>15,187</u>
Gains on disposal before income tax	210,358	59,706
Income tax expense	<u>(1,832)</u>	<u>(14,217)</u>
Gains on disposal	<u>208,526</u>	<u>45,489</u>
Cash proceeds	642,620	77,893
- Cash and cash equivalents of the subsidiaries disposed of	<u>(7,420)</u>	<u>(40)</u>
Net cash inflow on disposal	<u>635,200</u>	<u>77,853</u>

40 Business combination

(a) Summary of acquisition

During the Track Record Period, the Group acquired three companies, including a property management company in 2016, a construction company in 2017 and a property holding company in 2019, which has been accounted for under business combination.

The financial information of these acquired companies on the acquisition date is listed as follows:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Purchase consideration (refer to (b) below):					
- Cash paid	864	—	—	—	100,000
- Cash consideration outstanding and included in other payables	132	90	—	—	18,482
Total purchase consideration	<u>996</u>	<u>90</u>	<u>—</u>	<u>—</u>	<u>118,482</u>
Recognised amounts of identifiable assets acquired and liabilities assumed					
Cash and cash equivalents	136	10,805	—	—	—
Trade receivables, prepayments and other receivables	860	5,669	—	—	847
Completed properties held for sale	—	74	—	—	893,279
Bank and other borrowings	—	—	—	—	(410,940)
Trade and other payables	—	(16,458)	—	—	(232,392)
Deferred income tax liabilities	—	—	—	—	(132,312)
Net assets acquired	<u>996</u>	<u>90</u>	<u>—</u>	<u>—</u>	<u>118,482</u>

(b) *Purchase consideration — cash outflow*

	Year ended 31 December			Six months ended 30 June	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired					
Total cash consideration	996	90	—	—	118,482
Total cash paid in current year	864	—	—	—	100,000
Less: cash in the subsidiaries acquired	<u>(136)</u>	<u>(10,805)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net outflow/(inflow) of cash	<u>728</u>	<u>(10,805)</u>	<u>—</u>	<u>—</u>	<u>100,000</u>

(c) *Acquired receivables*

The fair value of other receivables for the acquisition in 2016 was RMB860,000.

The fair value of trade receivables and other receivables for the acquisition in 2017 was RMB5,553,000 and RMB116,000 respectively.

The fair value of trade receivables for the acquisition in 2019 was RMB847,000.

(d) *Revenue and profit contribution*

The acquired business in 2016 contributed revenues of RMB315,000 and net loss of RMB253,000 to the Group for the period from the respective acquisition dates to 31 December 2016.

If the acquisition had occurred on 1 January 2016, consolidated pro-forma revenue and profit for the year ended 31 December 2016 would have been RMB640,675,000 and RMB84,507,000 respectively.

The acquired business in 2017 contributed no revenue or profit to the Group for the period from the respective acquisition dates to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and profit for the year ended 31 December 2017 would have been RMB838,259,000 and RMB86,078,000 respectively.

The acquired business in 2019 contributed revenues of RMB9,326,000 and net loss of RMB4,195,000 to the Group for the period from the respective acquisition dates to 30 June 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the six months ended 30 June 2019 would have been RMB785,616,000 and RMB179,766,000 respectively.

(e) *Acquisition related cost*

Acquisition-related costs of RMB20,000, RMB23,000 and RMB255,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the years ended 31 December 2016, 2017 and six months ended 30 June 2019.

(f) Apart from the business combination as described above, payments for acquisition of subsidiaries treated as assets deal by the Group, net of cash acquired, amounted to RMB4,836,000, RMB163,744,000, RMB86,583,000 and RMB57,594,000 for the years ended 31 December 2016, 2017, 2018 and six months ended 30 June 2019.

41 **Benefits and interests of directors**(a) *Directors' emoluments*

The directors' emoluments paid/payable by the companies now comprising the Group during the Track Record Period are as follows:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June 2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Fees, Salaries and other benefits	3,040	5,994	13,385	5,631	7,335
Pension costs	37	50	55	30	25
Total	<u>3,077</u>	<u>6,044</u>	<u>13,440</u>	<u>5,661</u>	<u>7,360</u>

(i) *For the year ended 31 December 2016*

Name of Directors	Salaries and other benefits	Contribution to retirement scheme	Fees	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive Directors</i>				
Mr. CHAN Sze Ming Michael (Chairman)	752	15	—	767
Ms. ZHENG Catherine Wei Hong (President)	1,704	13	—	1,717
Ms. WEI Miaochang	584	9	—	593
	<u>3,040</u>	<u>37</u>	<u>—</u>	<u>3,077</u>

(ii) For the year ended 31 December 2017

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>				
Mr. CHAN Sze Ming Michael (Chairman)	1,090	16	—	1,106
Ms. ZHENG Catherine Wei Hong (President)	2,010	15	—	2,025
Mr. WU Xinping	1,269	8	—	1,277
Mr. XUE Shuangyou	599	2	—	601
Ms. WEI Miaochang	1,026	9	—	1,035
	<u>5,994</u>	<u>50</u>	<u>—</u>	<u>6,044</u>

(iii) For the year ended 31 December 2018

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>				
Mr. CHAN Sze Ming Michael (Chairman)	1,634	15	—	1,649
Ms. ZHENG Catherine Wei Hong (President)	3,695	15	—	3,710
Mr. XUE Shuangyou	3,285	10	—	3,295
Mr. WU Xinping	3,090	10	—	3,100
Ms. WEI Miaochang	1,681	5	—	1,686
	<u>13,385</u>	<u>55</u>	<u>—</u>	<u>13,440</u>

(iv) For the six months ended 30 June 2019

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>				
Mr. CHAN Sze Ming Michael (Chairman)	881	8	—	889
Ms. ZHENG Catherine Wei Hong (President)	1,919	5	—	1,924
Mr. LIU Huaxi	388	2	—	390
Mr. XUE Shuangyou	1,648	5	—	1,653
Mr. WU Xinping	1,641	5	—	1,646
Ms. WEI Miaochang	858	—	—	858
	<u>7,335</u>	<u>25</u>	<u>—</u>	<u>7,360</u>

(v) For the six months ended 30 June 2018 (Unaudited)

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
(Unaudited)				
Executive Directors				
Mr. CHAN Sze Ming Michael (Chairman)	603	7	—	610
Ms. ZHENG Catherine Wei Hong (President)	1,773	8	—	1,781
Mr. XUE Shuangyou	1,404	5	—	1,409
Mr. WU Xinping	1,023	5	—	1,028
Ms. WEI Miaochang	828	5	—	833
	<u>5,631</u>	<u>30</u>	<u>—</u>	<u>5,661</u>

Note:

Mr. Michael Chan, Ms. ZHENG, Mr. WU, and Mr. XUE were appointed as the Company's executive directors on 2 November 2018.

Mr. LIU and Ms. WEI were appointed as the Company's executive directors on 24 May 2019.

Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung were appointed as the Company's independent non-executive directors on 13 November 2019. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

No remunerations are paid or receivables in respect of accepting offices as director during the Track Record Period.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Track Record Period.

No director waived or agreed to waive any emoluments during the Track Record Period.

(b) **Directors' retirement benefits**

During the Track Record Period, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) **Directors' termination benefits**

During the Track Record Period, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) **Consideration provided to third parties for making available directors' services**

During the Track Record Period, the Company didn't pay to any third party for making available directors' services.

(e) *Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors*

During the Track Record Period, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

(f) *Directors' material interests in transactions, arrangements or contracts*

Save as disclosed in Note 37, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

42 Events after the statement of financial position date

(i) *Capitalisation of amounts due to ultimate controlling shareholder*

On 12 November 2019, the Company and Mr. Michael Chan entered into a deed of loan capitalisation, pursuant to which the Company repaid an approximate amount of HK\$515.7 million (RMB453.9 million), being part of the amounts due to ultimate controlling shareholder, owned by the Group to Mr. Michael Chan by the allotment and issue of one Share to Sze Ming as directed by Mr. Michael Chan. After such loan capitalisation, the Group owed Mr. Michael Chan an amount that was equivalent to the amounts due to ultimate controlling shareholder less HK\$515.7 million (RMB453.9 million) and Sze Ming owed Mr. Michael Chan HK\$515.7 million (RMB453.9 million) as consideration for Mr. Michael Chan directing the Company to issue the one Share to Sze Ming.

(ii) *Capitalisation issue*

Pursuant to a shareholder's resolution passed on 13 November 2019, conditional on the share premium amount of the Company being credited as a result of the Global Offering, the Directors are authorised to and will issue a total of 1,199,999,996 Shares by way of capitalisation of the sum of HK\$11,999,999.96 standing to the credit of the share premium amount of the Company upon the Global Offering.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019. No dividend or distribution has been declared or made by the Company or any of companies now comprising the Group in respect of any period subsequent to 30 June 2019.

THE COMPANY

PRINCIPAL AND REGISTERED OFFICES

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