Jiayuan International Group Limited
佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(the "Company", Stock Code: 2768)

US$100,000,000 7.00% GREEN CONVERTIBLE BONDS DUE 2025
(the "Bonds", Stock Code: 40779)

PUBLICATION OF THE OFFERING MEMORANDUM

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Please refer to the offering circular dated 21 July 2021 (the "**Offering Memorandum**") appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Memorandum, the Bonds were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis. Accordingly, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) (each as defined in the Offering Memorandum) confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

By Order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 28 July 2021

As at the date of this announcement, the Board of the Company comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Ms. Cheuk Hiu Nam, an Executive Director; (v) Mr. Wang Jianfeng, a Vice President and an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.

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You acknowledge that the attached document and the information contained therein are strictly confidential and intended for you only. You are not authorized to and you may not forward or deliver the attached document, electronically or otherwise, to any other person or reproduce such document in any manner whatsoever, nor may you disclose the information contained in the attached document to any third-party or use it for any other purpose. **Any forwarding, distribution, publication or reproduction of the attached document in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorized.** Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions.

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 "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 the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, VALUABLE CAPITAL LIMITED, BOCOM INTERNATIONAL SECURITIES LIMITED, (THE "MANAGERS"), THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), PURSUANT TO AND IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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

The communication of the attached document and any other document or materials relating to the issue of the securities offered thereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (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 offered thereby 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.

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

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

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

This document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Managers or any person who controls it or any of its respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

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

Offering Circular **STRICTLY CONFIDENTIAL**

佳源國際控股有限公司

Jiayuan International Group Limited

(Incorporated in the Cayman Islands with limited liability)

US$100,000,000 7.00 per cent. Green Convertible Bonds due 2025 convertible into ordinary shares of Jiayuan International Group Limited

Issue Price: 100.00%

The US$100,000,000 7.00 per cent. Green Convertible Bonds due 2025 (the "Bonds") will be issued by Jiayuan International Group Limited (the "Issuer" or the "Company"). The issue price of the Bonds shall be 100.00% of the aggregate principal amount of the Bonds and the denominations of the Bonds shall be US$200,000 and integral multiples of US$100,000 in excess thereof.

The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (each as defined in the terms and conditions of the Bonds (the "Terms and Conditions of the Bonds")). None of the Issuer's subsidiaries that are organised under the laws of the People's Republic of China (the "PRC") will guarantee the Bonds. The obligations of the Issuer under the Bonds and of the Subsidiary Guarantors (as defined in the Terms and Conditions of the Bonds) under the Subsidiary Guarantees (as defined in the Terms and Conditions of the Bonds) will be secured ratably and on a *pari passu* basis with the obligations of the obligors under the Senior Notes (as defined in the Terms and Conditions of the Bonds) by the Collateral (as defined in the Terms and Conditions of the Bonds).

Each Bond will, at the option of the holder, be convertible (unless previously redeemed or purchased and cancelled) at any time on and after July 27, 2022 up to the close of business (at the place where the Certificate (as defined in Terms and Conditions of the Bonds) evidencing such Bond is deposited for conversion) on the date falling seven days prior to the Maturity Date (as defined in the Terms and Conditions of the Bonds) (both days inclusive) (but, except as provided in the Conditions (as defined in the Terms and Conditions of the Bonds), in no event thereafter) or, if such Bond shall have been called for redemption before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (at the place aforesaid) prior to the date fixed for redemption thereof. The Bonds will be convertible at the option of the holder into fully paid ordinary shares of HK$0.01 each of the Issuer (the "Shares") at an initial conversion price of HK$3.50 per Share. The conversion price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds – Conversion". The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on July 21, 2021 was HK$3.30 per Share.

Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Bond at 111.36 per cent. of its principal amount on January 27, 2025. The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at their Early Redemption Amount (as defined in the Terms and Conditions of the Bonds), if the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong, Cayman Islands, BVI or PRC or, in each case, any political subdivision or any authority having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 21, 2021, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. The Issuer may redeem the Bonds in whole, but not in part, on the Optional Redemption Date (as defined in the Terms and Conditions of the Bonds) at their Early Redemption Amount if (a) at any time after January 27, 2024 and prior to the Maturity Date provided that the Closing Price of the Shares (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange (as defined in the Conditions)) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption, is published, was at least 130 percent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio (as defined in the Conditions) then applicable or (b) if at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. Following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds) the holder of each Bond will have the right to require the Issuer to redeem all or some only of such holder's Bonds on the relevant event put date at their Early Redemption Amount. See "Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation".

The Bonds are being issued as "Green Bonds" under our Green Finance Framework. See the section entitled "Bonds being issued as "Green Bonds".

Investing in the Bonds involves risks. See the section entitled "Risk Factors" beginning on page 12. Furthermore, investors should be aware that the Bonds 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, that there are risks relating to the exercise of Conversion Rights of the Bonds and that there are various other risks relating to the Bonds, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See the section entitled "Risk Factors" beginning on page 12, particularly pages 40-44 for risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral and pages 37 to 38 for risks relating to the exercise of Conversion Rights of the Bonds.

Application will be made to Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors:** The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Bonds 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 circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering circular to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds 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 circular, 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 circular.

This offering circular 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 circular 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 Bonds are expected to be listed on the Hong Kong Stock Exchange on or prior to August 27, 2021.

The Bonds, the Subsidiary Guarantees (as defined in the Terms and Conditions of the Bonds), and the Shares to be issued upon conversion of the Bonds, have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds, the Subsidiary Guarantees and the Shares to be issued upon conversion of the Bonds, may only be offered outside the United Sates in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds, the Subsidiary Guarantees and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

The Bonds will be initially represented by a global certificate (the "Global Certificate") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream", together with Euroclear, the "Clearing Systems"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the Clearing Systems. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds are expected to be rated "B" by Fitch Ratings Ltd ("**Fitch**"). The credit rating accorded to the Bonds is not a recommendation to purchase, hold or sell the Bonds as much as ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the rating will remain in effect of a given period or that the rating will not be revised by the rating agency in future. The Company is rated "B2" by Moody's Investors Service, Inc., "B" by Standard & Poor's Rating Services and "B" by Fitch.

Joint Global Coordinators and Joint Bookrunners

HSBC **Valuable Capital Limited** **BOCOM International**

Sole Green Structuring Advisor

HSBC

The date of this Offering Circular is July 21, 2021.

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This offering circular 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 circular 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 circular or that the information contained in this offering circular is correct as of any time after that date.

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

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

Prohibition of sales to EEA retail investors – The Bonds 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 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

The communication of this offering circular and any other document or materials relating to the issue of the securities described herein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling 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 within Article 49(2)(a) to (d) of the Financial Promotion Order, or to 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 circular are only available to, and any investment or investment activity to which this offering circular 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 circular or any of its contents.

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE MANAGERS ACTING AS THE STABILIZATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZATION MANAGER(S)) MAY, SUBJECT TO APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE TIME OF DELIVERY. HOWEVER, THERE IS NO OBLIGATION ON ANY STABILIZING MANAGER TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

We, having made all reasonable inquiries, confirm that: (i) this offering circular contains all information with respect to us, our subsidiaries and affiliates referred to in this offering circular and the Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this offering circular relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering circular 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 Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the issue and offering of the Bonds, make this offering circular, 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 circular is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Bonds. You should read this offering circular before making a decision whether to purchase the Bonds. You must not use this offering circular for any other purpose, or disclose any information in this offering circular to any other person.

We have prepared this offering circular, 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 Bonds. By purchasing the Bonds, 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 by The Hongkong and Shanghai Banking Corporation Limited, Valuable Capital Limited and BOCOM International Securities Limited (the "Managers"), Citicorp International Limited (the "Trustee" and the "Collateral Agent"), Citibank, N.A., London Branch (the "Paying Agent" and the "Transfer Agent") and Citicorp International Limited (the "Registrar", and together with the Paying Agent, the Transfer Agent and the Collateral Agent, the "Agents") or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. To the fullest extent permitted by law, the Managers do not accept any responsibility for the contents of this offering circular or for any statement made or purported to be made by any of the Managers or on their behalf in connection with the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the issue and offering of the Bonds. The Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering circular or any such statement.

Each person receiving this offering circular 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 Managers, the Trustee, the Agents or any person affiliated with the Managers, the Trustee, 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 Bonds, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Managers, the Trustee or the Agents.

The Bonds and the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission, 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 circular. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Managers are not, making an offer to sell the Bonds (including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)), in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Bonds (including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)) may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the

Managers to inform itself about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds (including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any)) and distribution of this offering circular, see the sections entitled "Transfer Restrictions" and "Plan of Distribution."

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Company has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This offering circular summarizes certain material documents and other information, to which we refer you for a more complete understanding of what we discuss in this offering circular. 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 Bonds by you under any investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice investment in the Bonds.

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

CERTAIN DEFINITIONS, CONVENTIONS, CURRENCY AND FINANCIAL INFORMATION PRESENTATION

We have prepared this offering circular 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 Jiayuan International Group Limited itself, or to Jiayuan International Group Limited and its consolidated subsidiaries, as the context requires. In this offering circular, references to the "Board" or "Board of Directors" refer to the board of directors of the Company.

Market data, industry forecasts and the People's Republic of China ("China" or the "PRC") and property industry statistics in this offering circular 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 Managers or our or their directors and advisors, and neither we, the Managers nor our or their directors and advisors make any representation as to the accuracy or completeness of the 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 may be inaccurate. You should not unduly rely on such market data, industry forecasts and PRC and property industry statistics.

In this offering circular, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" 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 "RMB" or "Renminbi" are to Renminbi, the official currency of the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to US$1.00, the noon buying rate in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on December 31, 2020, and all translations from Hong Kong dollars into U.S. dollars were made at the rate of HK$7.7534 to US$1.00, the noon buying rate in Hong Kong dollars as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on December 31, 2020. All such translations in this offering circular 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 Hong Kong 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 "Huiyuan Group" in this offering circular are to Huiyuan Investment Holdings Limited（徽源投資控股有限公司）(the "Huiyuan Investment"), a company incorporated under the laws of BVI with limited liability, or to Huiyuan Investment Holdings Limited and its subsidiaries.

References to "Chuangyuan Group" in this offering circular are to Chuangyuan Holdings Limited（創源控股有限公司）, a company incorporated under the laws of the BVI with limited liability, or to Chuangyuan Holdings Limited and its subsidiaries.

References to "PRC" and "China," for the statistical purposes of this offering circular, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("Macau") or Taiwan. "PRC government" 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.

References to "SEHK" in this offering circular are to The Stock Exchange of Hong Kong Limited.

References to "BVI" in this offering circular are to the British Virgin Islands.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which differ in certain respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted principles. Unless the context otherwise requires, financial information in this offering circular is presented on a consolidated basis.

Unless the context otherwise requires, references to "2018", "2019" and "2020" in this offering circular are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

References to the "ICBC Facility" are to the term loan facility in an aggregate principal amount of HK$3,900.0 million pursuant to an agreement dated November 28, 2017 between, among others, the Company and Industrial and Commercial Bank of China (Macau) Limited ("ICBC") as agent.

References to the "HSBC Facility" are to the term loan facility in an aggregate principal amount of HK$1,500.0 million pursuant to an agreement dated November 14, 2018 between, among others, the Company and The Hongkong and Shanghai Banking Corporation ("HSBC") as agent.

References to the "HSB Facility" are to the term loan facility in an aggregate principal amount of HK$147.2 million pursuant to an agreement dated June 8, 2018 between, among others, the Company and Hang Seng Bank ("HSB") as agent.

References to "Senior Notes" means the 12.5% senior notes due 2023, the 11.0% senior notes due 2024, the 11.375% senior notes due 2022, the 13.75% senior notes due 2022, the 13.75% senior notes due 2023, the 12.0% senior notes due 2022 and the 12.5% senior notes due 2023 issued by the Company.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. Unless otherwise specified, all site area and gross floor area ("GFA") data presented in this offering circular represent the site area and GFA data of entire projects, including those attributable to the minority shareholders of our project companies that are not wholly owned by us. References to "sq.m." are to the measurement unit of square meters.

In this offering circular, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus; a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property presale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or an equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

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

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial and operational 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, pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our projects 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 guarantees 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 circular. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering circular, whether as a result of new information, future events or otherwise, after the date of this offering circular. All forward-looking statements contained in this offering circular are qualified by reference to the cautionary statements set forth in this section.

SUMMARY

Overview

We are an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. Our main business operations include: (i) the development and sale of residential and commercial properties; (ii) the provision of development services; and (iii) property investment, which mainly consists of leasing commercial properties owned or developed by us.

Adhering to our sound and stable development strategies of "be delicate, be detailed oriented, offer good quality and maintain strong market position(做精、做細、做好、做強)", we had, as of December 31, 2020, a portfolio of 88 property development projects in various major cities or key towns in the PRC, comprising 42 residential complex projects, 45 integrated commercial complex projects and one commercial complex project. As of December 31, 2020, we had a land reserve of approximately 17.7 million sq.m. covering Yangtze River Delta Region, Anhui Province, city cluster in the Guangdong-Hong Kong-Macao Greater Bay Area, cities along the "Belt and Road" regions and other key provincial capital cities. Under our sound and stable development strategies, we will focus our development effort on: (i) residential properties in major cities such as Nanjing, Yangzhou and Shenzhen; and (ii) integrated commercial complexes in "key towns"(中心鎮) or towns which are under key development, such as Taizhou and Changzhou.

In response to the national policy of continuing urbanization and the call for city modernization emphasised by the Jiangsu Provincial Government, we envision that key towns will be developed into major economic and transportation hubs among neighbouring towns, facilitating the pull factors for urbanization. We expect that the economic development of key towns will also enrich the disposable income of the local residents, which, in turn, will attribute to a healthy demand for residential and commercial properties. We generally select key towns where the level of development of commercial infrastructure is relatively immature for the development of our integrated commercial complexes with a view to satisfying the demand for commercial properties in such key towns. We believe that the implementation of our sound and stable development strategies is imperative in maximizing our profitability and minimizing competition. We also plan to adhere to these sound and stable development strategies to expand our operations to develop residential complexes in cities with sizeable regional economies and populations such as Guangzhou and Shenzhen with a view to maximizing our return under the projected property demand in the PRC.

Our residential complexes and integrated commercial complexes have been or will be developed into mixed-use communal style complexes, which are designed to provide a high level of convenience and enjoyment to our customers. In this regard, we take pride in the following key values of our property development projects:

Education value: we appreciate the importance of education to our customers who are parents. Hence, we aim to choose project sites which are located in a relatively established school network. Since our inception, we have participated in the construction of five schools, including a nursery school, which are located within our property development projects.

Leisure value: we generally apportion a sizeable section of site area for the development of European-Chinese themed scenic gardens and squares featuring classical or neo-classical landmarks. These gardens and squares are designed not only for the leisure enjoyment of our customers, but also for the provision of visual appeal to the owners of our products and potential customers. We believe that this also gives the owners of our products a sense of pride for owning our products.

Commercial value: as our property development projects are planned to be developed into communal style complexes, we develop retail stores and shopping arcades in our residential properties to provide "one-stop" shopping experience to our customers and satisfy the daily needs of our residential customers and surrounding local residents. In order to achieve the above and maximize our profitability, we plan to retain control over central management of our shopping arcades which enables us to select tenants and their industry composition.

We believe that our quality property development projects are or will be well received in the locations in which we operate or plan to expand our operation.

On March 8, 2016, we completed our initial public offering with our shares listed on the Main Board of the Hong Kong Stock Exchange (the "Listing"). Since the Listing, we have become a constituent stock of benchmarking indices, including Hang Seng Composite Small Cap Index, MSCI China Small Cap Index, Hang Seng Stock Connect Hong Kong Index and Shenzhen-Hong Kong Stock Connect stock list. In addition, we became a constituent stock of the Hang Seng Composite Large Cap & Mid Cap Index on September 10, 2018.

Over the years, we have received numerous awards and accolades from government authorities, media organizations and unions of property developers in Jiangsu Province for the high quality of our property development projects. We believe that these awards represent an indication of the remarkable quality of our Group and our property development projects.

Competitive Strengths

We believe that the following competitive strengths contribute to our success in the property development market and distinguish us from our competitors:

- a design, planning and quality control process that ensures the quality of our products;
- an operation system that saves time and costs in the development of quality property projects;
- the established "Jia Yuan" brand and reputation well recognized in Jiangsu Province; and
- a stable and experienced management team and organizational structure that promote operational efficiency.

Business Strategies

We aim to become one of the leading property developers in the PRC. We plan to achieve this target through adopting and implementing the following strategies:

- expand our operations in Jiangsu Province and other parts of China;
- enhance the recognition of "Jia Yuan" brand; and
- recruit, retain and train talented employees.

Recent Developments

Acquisition of Luyuan Investment Holdings Limited Involving the Issue of Convertible Bonds

On January 13, 2021, we entered into a Sale and Purchase Agreement with Mr. Shum, pursuant to which, we have agreed to acquire, and Mr. Shum has agreed to sell the entire issued share capital in Luyuan Investment Holdings Limited ("Luyuan Investment") at a consideration of HK$7,247,560,000, which will be settled by (i) issue of Convertible Bonds; (ii) by way of issue and allotment of shares; and (iii) the remaining balance by cash. On February 25, 2021, we entered into a supplemental agreement with Mr. Shum to make certain amendments in the Sale and Purchase Agreement dated January 13, 2021. On June 30, 2021, completion took place and Luyuan Investment Holdings Limited has become our indirect wholly-owned subsidiary.

Issuance of the May 2021 Notes

On May 17, 2021, we issued the May 2021 Notes in the aggregate principal amount of US$130,000,000. The May 2021 Notes bear interest at 11.0%. The May 2021 Notes will mature on February 17, 2024.

Issuance of the January 2021 Notes

On January 21, 2021, we issued the January 2021 Notes in the aggregate principal amount of US$300,000,000. The January 2021 Notes bear interest at 12.5%. The January 2021 Notes will mature on July 21, 2023.

Repurchase of March 2022 Notes

On February 5, 2021, we repurchased the March 2022 Notes in an aggregate principal amount of US$55,755,000. On March 11, 2021, we further repurchased the March 2022 Notes in an aggregate principal amount of US$61,538,000 following the exercise of a put option pursuant to the terms of the March 2022 Notes.

COVID-19 Pandemic

Since early March 2020, the outbreak of COVID-19, a highly infectious novel coronavirus initially detected toward the end of 2019, has started a pandemic. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. 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. As the COVID-19 outbreak has stabilized in the PRC, we have resumed our normal operation. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors – Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table set forth our summary consolidated financial information and other data as of the dates and for the periods indicated.

Our consolidated financial statements for the year ended December 31, 2018 have been restated as the Company has applied merger accounting to the acquisitions, being business combinations involving entities under common control. In preparing the consolidated financial statements for the year ended December 31, 2019, the comparative amounts of the consolidated financial statement for the year ended December 31, 2018 have been restated to present as if Chuangyuan Group and Huiyuan Group had been combined as at January 1, 2018. It should be read in conjunction with the circulars issued by the Company for the acquisition of Chuangyuan Group and Huiyuan Group dated December 24, 2018 and June 25, 2019, respectively.

The summary of consolidated financial information as of and for the years ended December 31, 2019 and 2020 (except for the EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 and included elsewhere in this offering circular. Unless otherwise specifically indicated, all references to financial information as of and for the year ended December 31, 2018 presented in this offering circular are to our financial information as restated for such period. The restated financial information for the year ended December 31, 2018 presented in this offering circular has not been reviewed or audited. Investors should be aware that, as a result of the restatement, the restated financial information contained in this offering circular may not be directly comparable to historical financial information as previously reported to the Hong Kong Stock Exchange in our annual reports.

As of January 1, 2018, the Group adopted HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”), which are effective for accounting periods beginning on or after January 1, 2018.

According to the HKFRS 9 and HKFRS 15 transitional arrangements, upon initial application of HKFRS 9 and HKFRS 15, the Group is not required to restate the comparative figures of the prior period. Instead, differences caused by the adoption of the HKFRS 9 and HKFRS 15 are adjusted in the beginning balance of retained earnings and other comprehensive income. Therefore, the Group’s 2018 consolidated financial statements is not comparable with the Group’s 2017 consolidated financial statements. For the impact on adoption of HKFRS 9 and HKFRS 15, please refer to note 2 to the Group’s 2018 annual report.

The Company has adopted HKFRS 16 “Leases” (“HKFRS 16”) retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognized in the opening balance sheet on January 1, 2019. For details, please refer to notes to our audited consolidated financial statement as of and for the year ended December 31, 2019 included elsewhere in this offering circular. As such, the audited consolidated financial information as of and for the year ended December 31, 2019 may not be directly comparable against the Company’s consolidated financial information as of and for the year ended December 31, 2018.

As such, investors should exercise caution when reviewing our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020.

Our consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary consolidated financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and interim financial information, and the notes thereto included elsewhere in this offering circular.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

	For the year ended December 31,			
	2018	2019	2020	
	RMB (unaudited) (restated)[1]	RMB	RMB	US$ (unaudited)
	(In thousands, except for percentages)			
Revenue	13,616,003	16,070,171	18,363,185	2,814,281
Cost of sales	(9,112,135)	(10,828,170)	(12,427,653)	(1,904,621)
Gross profit	**4,503,868**	**5,242,001**	**5,935,532**	**909,660**
Other income	351,707	308,478	380,098	58,253
Other gains and losses	(179,135)	(221,777)	852,383	130,633
Net impairment (losses)/reversal on financial assets	(94,764)	19,942	(27,974)	(4,287)
Fair value change on investment properties	365,890	437,238	(177,503)	(27,204)
Change in fair value upon transfer from inventories of properties to investment properties	520,917	–	–	–
Fair value change on financial assets at fair value through profit or loss	12,930	–	–	–
Selling and marketing costs	(358,984)	(303,407)	(297,942)	(45,662)
Administrative expenses	(420,010)	(492,296)	(422,990)	(64,826)
Other expenses	(2,266)	–	–	–
Finance costs	(293,400)	(282,698)	(317,641)	(48,681)
Share of results of investment accounted for using the equity method	86,449	82,056	125,041	19,163
Profit before taxation	**4,493,202**	**4,789,537**	**6,049,004**	**927,049**
Income tax expenses	(2,141,018)	(2,329,054)	(2,517,811)	(385,871)
Profit for the year	2,352,184	2,460,483	3,531,193	541,178
Other comprehensive income (loss)				
Item that may be reclassified to profit or loss:				
Fair value gain on available-for-sale investment	2,681	–	–	–
Exchange differences arising on translation of foreign operations	(6,087)	2,511	(1,821)	(279)
Total comprehensive income for the year	**2,348,778**	**2,462,994**	**3,529,372**	**540,899**
Other Financial Data				
EBITDA[(2)]	4,801,155	5,085,020	6,386,214	978,730
EBITDA margin[(3)]	35%	32%	35%	35%

(1) The financial information for the year ended December 31, 2018 has been restated as a result of our acquisition of Chuangyuan Group and Huiyuan Group. See note 1 of our consolidated financial statements for the year ended December 31, 2019 for further details.

(2) EBITDA for any period consists of profit for the year adjusted by the finance costs, income tax expenses and depreciation. 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. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for a reconciliation of our profit or loss for the year under HKFRS to our definition of EBITDA. Interest expense excludes amounts capitalized.

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

Consolidated Statement of Financial Position

	As of December 31,			
	2018	2019	2020	
	RMB (unaudited) (restated)[1]	RMB	RMB	US$ (unaudited)
	(In thousands)			
Non-Current Assets				
Investment properties	7,571,718	7,841,906	7,926,545	1,214,796
Property and equipment	133,765	132,880	123,671	18,953
Intangible assets	1,487	31,328	38,670	5,926
Right-of-use assets	–	10,694	9,624	1,475
Investments accounted for using the equity method	245,465	985,051	2,289,700	350,912
Financial assets at fair value through profit or loss	80,871	668,204	961,039	147,286
Deposits paid for acquisitions	1,935,423	1,167,684	1,150,157	176,269
Deferred tax assets	559,179	597,494	668,841	102,504
Trade and other receivables	3,909	124,934	38,450	5,893
	10,531,817	11,560,175	13,206,697	2,024,014
Current Assets				
Inventories of properties	32,080,889	34,112,077	42,338,765	6,488,700
Financial assets at fair value through profit or loss	707,499	168,775	131,880	20,211
Trade and other receivables	10,131,059	7,177,335	5,286,935	810,258
Prepaid income tax	513,848	563,705	383,901	58,835
Restricted/pledged bank deposits	2,103,123	2,123,101	1,938,081	297,024
Cash and cash equivalents	4,599,433	6,030,412	9,002,740	1,379,730
	60,667,668	61,735,580	72,288,999	11,078,772
Current Liabilities				
Trade and other payables	6,162,953	6,395,483	7,283,549	1,116,250
Pre-sale deposits received	17,264,139	19,940,467	18,136,057	2,779,472
Lease liabilities	–	3,597	6,638	1,017
Current income tax liabilities	3,156,105	4,628,119	6,558,589	1,005,148
Bank and other borrowings	7,012,996	4,667,930	1,377,858	211,166
Senior notes	4,477,446	314,084	5,687,872	871,705
Derivative financial instruments	–	–	190,913	29,259
	38,073,639	35,949,680	39,241,476	6,014,017
Net Current Assets	**12,062,212**	**14,225,725**	**19,840,826**	**3,040,741**
Total Assets Less Current Liabilities	**22,594,029**	**25,785,900**	**33,047,523**	**5,064,755**
Capital and Reserves				
Share capital	21,083	33,870	34,876	5,345
Reserves	9,045,432	9,825,610	13,583,354	2,081,740
Equity attributable to owners of the Company	9,066,515	9,859,480	13,618,230	2,087,085
Non-controlling interests	1,470,165	1,977,678	3,839,498	588,429
Total Equity	**10,536,680**	**11,837,158**	**17,457,728**	**2,675,514**
Non-Current Liabilities				
Bank and other borrowings	7,787,925	7,462,249	11,254,769	1,724,869
Derivative financial instruments	–	238,387	–	–
Lease liabilities	–	7,317	2,957	453
Pre-sale deposits received	647,722	500,510	540,412	82,822
Deferred tax liabilities	660,139	779,587	726,512	111,343
Senior notes	2,735,063	4,960,692	3,065,145	469,754
Other payables	226,500	–	–	–
	12,057,349	13,948,742	15,589,795	2,389,241
	22,594,029	25,785,900	33,047,523	5,064,755

(1) The financial information for the year ended December 31, 2018 has been restated as a result of our acquisition of Chuangyuan Group and Huiyuan Group. See note 1 of our consolidated financial statements for the year ended December 31, 2019 for further details.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. For a more complete description of the Bonds, please refer to the section of this Offering Circular entitled "Terms and Conditions of the Bonds." Phrases used in this summary and not otherwise defined shall have the meaning given to them in the section entitled "Terms and Conditions of the Bonds".

Issuer	Jiayuan International Group Limited.
Bonds	US$100,000,000 7.00 per cent. Green Convertible Bonds due 2025, convertible into fully paid ordinary shares of HK$0.01 each of the Issuer. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on July 21, 2021.
Guarantee.	Each of the Subsidiary Guarantors shall unconditionally and irrevocably Guarantee the due payment of sums expressed to be payable by the Issuer under the Trust Deed and the Bonds (the "Subsidiary Guarantees"). The Subsidiary Guarantee of each Subsidiary Guarantor shall constitute the direct, unconditional and unsubordinated obligations of such Subsidiary Guarantor and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of such Subsidiary Guarantor under its Subsidiary Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by the Subsidiary Guarantors on a *pari passu* basis with the obligations of the Issuer under the Existing Notes (as defined in the Terms and Conditions of the Bonds). Each of the JV Subsidiary Guarantors shall unconditionally and irrevocably Guarantee the due payment of sums expressed to be payable by the Issuer under the Trust Deed and the Bonds (the "JV Subsidiary Guarantees"). The JV Subsidiary Guarantee of each JV Subsidiary Guarantor shall constitute direct, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee shall be limited to the JV Entitlement Amount and shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by the JV Subsidiary Guarantors on a *pari passu* basis with the obligations of the Issuer under the Senior Notes.

Security	The obligations of the Issuer under the Bonds and the Subsidiary Guarantors under the Subsidiary Guarantees will be secured by pledges by the Issuer and the Subsidiary Guarantor Pledgors of the Capital Stock of the Subsidiary Guarantors and the JV Subsidiary Guarantors owned by the Issuer or the Subsidiary Guarantor Pledgors (subject to the Intercreditor Agreement) on the Issue Date. On or prior to the Issue Date, the Trustee on behalf of the Bondholders will accede to the Intercreditor Agreement pursuant to which the Bondholders will be entitled to share in the benefit of the pledge of Collateral on a *pari passu* basis with the holders of the Senior Notes and the holders of any Permitted Pari Passu Secured Indebtedness. The Intercreditor Agreement also provides for the conditions under which any lien on such Collateral may be released, and for the conditions under which the Collateral Agent will take enforcement actions with respect to such Collateral.
Issue Price	The Bonds will be issued at 100 per cent. of their principal amount.
Issue Date	July 27, 2021.
Maturity Date	January 27, 2025.
Redemption at Maturity	Unless previously redeemed, converted or repurchased and cancelled, the Issuer will redeem each Bond at 111.36 per cent. of its principal amount on the Maturity Date.
Status of the Bonds	The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.
Conversion Right	Each Bond will, at the option of the holder, be convertible (unless previously redeemed or purchased and cancelled) at any time on and after July 27, 2022 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling seven days prior to the Maturity Date (both days inclusive) (but, except as provided in the Conditions, in no event thereafter) or, if such Bond shall have been called for redemption before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (at the place aforesaid) prior to the date fixed for redemption thereof.
Conversion Price	The Conversion Price will initially be HK$3.50 per Share. The Conversion Price is subject to adjustment and/or reset as described in the Conditions. See "Terms and Conditions of the Bonds – Conversion".

Negative Pledge	Save for certain exemptions as set out in the Conditions, or so long as any of the Bonds remains outstanding, the Issuer will not, and the Issuer will procure that none of its Subsidiaries (other than any Subsidiary designated as an Unrestricted Subsidiary or Exempted Subsidiary) will, create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness (except for any Further Security Interest that is permitted by these Conditions). See "Terms and Conditions of the Bonds – Negative Pledge".
Redemption for Taxation Reasons	The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders at their Early Redemption Amount as at the Tax Redemption Date, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the British Virgin Islands, the Cayman Islands or the PRC or in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 21, 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.
Clean Up Redemption at the Option of the Issuer	On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee in writing and to the Bondholders in accordance with Condition 17 of the Conditions (which notice will be irrevocable), the Issuer: (a) may at any time after January 27, 2024 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that the Closing Price of the Shares (as derived from the Daily Quotations Sheet or the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption, is published was at least 130 per cent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio then applicable; or

(b) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Redemption for Relevant Event . . . Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all, or some only, of such holder's Bonds at their Early Redemption Amount as at the Relevant Event Put Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer.

"Relevant Event" occurs:

(i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive Trading Days on the HKSE; or

(ii) less than 25 per cent. of the Issuer's total number of issued shares are held by the public

(iii) when there is a Change of Control Triggering Event; or

(iv) if listing approval from the HKSE for (a) all Shares to be issued on the exercise of the Conversion Rights or (b) the Bonds, in either case, is not obtained by August 27, 2021.

Form and Denomination of Bonds . The Bonds will be issued in registered form in denominations of US$200,000 each and integral multiples of US$100,000 in excess thereof. The Bonds will upon issue be represented by the Global Certificate which on the Issue Date will be deposited with, and registered in the name of a nominee of, a common depository.

Clearance . . . . The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a common depository, payments of principal and interest in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United States, the United Kingdom, Hong Kong, the PRC, Singapore, the Cayman Islands, Japan and the European Economic Area. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "Subscription and Sale".
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only. The Bonds are expected to be listed on the HKSE on or prior to August 27, 2021. The Issuer has submitted application for conditional approval for listing of the Shares issuable upon conversion of the Bonds on the HKSE.
Trustee and Collateral Agent.	Citicorp International Limited.
Principal Agent, Transfer Agent and Conversion Agent.	Citibank, N.A., London Branch.
Registrar	Citicorp International Limited.
Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, English law
Use of Proceeds	The Company intends to use the proceeds from this offering for refinancing our existing indebtedness, in accordance with our Green Financing Framework.
Rating of the Bonds.	The Bonds are expected to be rated "B" by Fitch.
ISIN	XS2368463779.
Common Code	236846377.

An investment in the Bonds involves significant risks. You should carefully consider the risks described below and the other information in this offering circular before you decide to invest in the Bonds. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, the trading price of the Bonds could decline and you may lose all or part of your investment.

Risks Relating to Our Business

Our business and revenue growth depends on favourable economic conditions in the PRC, particularly the performance of the property market in cities where we develop our property development projects

We developed and sell properties in various provinces and major cities, including Anhui, Jiangsu, Changzhou, Nanjing, Nantong, Suzhou, Taizhou, Zhenjiang, Shanghai and Shenzhen of the PRC. As a result of government policies and changes in economic conditions, the performance of the property market in the cities in which our property development projects are located has fluctuated and varied in the past few years.

The PRC property market is affected by many factors, including changes in the social, political, economic and legal environment of the PRC, changes in the fiscal and monetary policies of the central government of the PRC, including all governmental subdivisions (such as provincial, municipal and other regional or local government entities) (the "PRC Government"), the lack of a mature and active secondary market for residential properties and the limited availability of mortgage loans to individuals in the PRC. We are also sensitive to changes in the economic condition, consumer confidence, consumer spending and consumer preferences of the urban Chinese population.

In the past few years, due to an increase in demand for residential properties in the PRC, there were concerns of the PRC property market overheating. In response, the PRC Government adopted measures to prevent the overheating of the PRC property market. These austerity measures may lead to changes in the PRC property market and affect property price level, market demand and supply of properties and our business performance.

We cannot assure you that the growth of the property market in the PRC and property prices will continue at previous levels or will not decline. Any oversupply of properties, decline in demand for or prices of properties in the PRC, or the economy of the PRC, particularly in cities where we have operations, may have a material adverse effect on our business, results of operations and financial condition.

Our substantial level of indebtedness may affect our business, financial condition, results of operations and prospects

We maintained a substantial level of borrowings to finance our operations for the years ended December 31, 2018, 2019 and 2020 and after the offering of the Bonds, we may continue to have a substantial level of borrowings. As of December 31, 2018, 2019 and 2020, our total outstanding bank and other borrowings amounted to approximately RMB14,800.9 million (restated), RMB12,130.2 million and RMB12,632.6 million (US$1,936.0 million), respectively and as of the same dates, our total outstanding balance of senior notes amounted to approximately RMB7,212.5 million (restated), RMB5,274.8 million and RMB8,753.0 million (US$1,341.5 million), respectively. Our net gearing ratio, calculated by dividing our net debt (bank and other borrowings, senior notes, net of bank balances and cash and restricted/pledged bank deposits) by our total equity, was approximately 145% (restated), 78%

and 60%, as of December 31, 2018, 2019 and 2020, respectively. As of December 31, 2020, our amount of debt due on demand or within one year was RMB7,065.8 million (US$1,082.9 million) and due within one to five years was RMB14,319.9 million (US$2,194.6 million).

Our indebtedness could have an adverse effect on us by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; (ii) limiting our flexibility in the planning for, or responding to, changes in our business or the industry in which we operate; (iii) limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding; or (iv) restricting us from making strategic acquisitions or taking advantage of business opportunities.

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, our ability to incur additional debt or provide guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. We may also be required to pledge land use rights or properties under certain financing contracts. We believe that we have obtained all necessary consents for incurring additional indebtedness, but we cannot assure you that the lending banks will have the same view. In addition, some of the loans may have restrictive covenants linked to our or our subsidiaries' financial performance, such as maintaining a prescribed maximum debt-to-asset ratio or minimum profitability levels during the term of the loans.

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

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by the then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to fulfil our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future loan and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause, including those contained in the Trust Deed, may also be triggered as a result. As a result, any default under any borrowing agreement may cause the acceleration of repayment of not only such borrowing but also other debt, including the Bonds, or result in a default under our other agreements, including the Trust Deed. If any of these events occurs, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favourable or acceptable to us. As a result, our cash flow, cash available for distributions, results of operation and financial condition may be materially and adversely affected.

We may not be able to acquire suitable land for future development at reasonable prices or at all

We derive a significant portion of our revenue from the sale of properties that we have developed. It is important that we identify suitable land for future development and replenish our land reserves to support a steady supply of properties for sale.

The supply of land suitable for development in cities into which we plan to expand may be limited, and the costs of acquiring land in many of these cities may fluctuate. We may also need to compete with other property developers which may be interested in sites we have identified. Competition among property developers can be further intensified by land policies adopted by the PRC Government and local governments which, for instance, regulate the means of acquiring land.

Furthermore, there have been recent reports that the PRC government may adopt and promote a more centralized land grant policy for selected regions and cities. On May 21, 2021, the Ministry of Finance (the "MOF"), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the "STA") and the PBOC jointly issued the "Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums"(關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations, will be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from July 1, 2021 in certain selected provinces and will be carried out nationwide from January 1, 2022. We cannot assure you that such scheme will not have any material impact on the regional and local government's land grant process and other aspects of property development in general in the PRC, which may in turn adversely affect our operations in the regions affected.

Any changes in land policies of the PRC Government with regard to land supply and development may lead to an increase in our costs of acquisition and limit our ability to successfully acquire land at reasonable prices. We cannot assure you that we will be able to successfully acquire any or all of the land use rights for projects planned for future development at reasonable prices, or at all, and this may have a material adverse effect on our business, results of operations and financial condition. Please see "– Risks relating to our industry – We are subject to extensive governmental regulations and may be affected by further measures implemented by the PRC Government that aim to control the growth of the property sector" for further details. For additional information on the regulatory procedures and restrictions on land acquisition in the PRC, please see "Regulatory Overview".

Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic.

Since early March 2020, the outbreak of COVID-19, a highly infectious novel coronavirus initially detected toward the end of 2019, has started a pandemic. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets.

According to the data released on April 17, 2020 by the National Bureau of Statistics, China's first quarter GDP of 2020 contracted by 6.8% in 2020 compared with the first quarter of 2019. The PRC real estate market in general is under pressure in the short term as the COVID-19 pandemic has curbed on-site sales, though the impact started to ease starting from April 2020. According to the data released by the National Bureau of Statistics on April 17, 2020, China's real estate investment in the first quarter of 2020 amounted to RMB2,196.3 billion, representing a decrease of approximately 7.7% compared with the first quarter of 2019. According to the data released by the National Bureau of Statistics on July 16, 2020, China's GDP in the first half of 2020 was RMB45,661.4 billion, representing a decrease of 1.6% from the first half of 2019. Compared with the year on year (y-o-y) decline of 6.8% in the first quarter of 2020, the decrease narrowed by 5.2 percentage points. The national real estate investment in the first half of 2020 was RMB6,278.0 billion, representing a 1.9% y-o-y increase, which, compared with the y-o-y decrease of 0.3% from January to May 2020, indicates a rebound in real estate investment.

Several cities in China where we have land bank and operations were under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious coronavirus. As a result, sales offices and construction of our development projects was temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In response to national and the provincial government policy to COVID-19, we have provided rental reduction for our clients for January and February, 2020. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China.

Our ongoing or future investments or acquisitions may not proceed as planned and, even after their completion, may have a material adverse effect on our ability to manage our business

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

Acquisitions typically involve a number of risks, including, but not limited to: (i) difficulties in integrating the operations and personnel of the acquired businesses; (ii) difficulties in maintaining uniform standards, controls and policies across the expanded group; (iii) liabilities associated with the acquired businesses that were unknown at the time of acquisition; and (iv) adverse impact on our results of operations due to amortization and/or impairment for goodwill associated with the acquisitions.

Further, we cannot assure you that we will be able to make acquisitions or investments on favourable terms or within a desired time frame. There is also no assurance that such acquisitions or investments would yield the expected level of return. In addition, we may require additional financing in order to make such acquisitions and investments. Debt financing may result in an increase in the level of our indebtedness. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

We rely on our external construction contractors for all of our construction works, and the quality of their work could affect our reputation, business, results of operations and financial condition

We outsource construction works for all our projects, such as foundation digging, general construction and installation of equipment, to external construction contractors. We usually conduct an open tender process and consider a wide range of factors to select our external construction contractors. Please see "Our Business – Our key property development process – Construction and quality control – Construction". We cannot assure you that these external construction contractors will provide satisfactory services or complete work within the agreed timeframe. If we need to replace an external construction contractor or take other actions to remedy any unsatisfactory work, this may have a material adverse effect on the costs and construction progress of our projects.

If we expand into other geographical locations in the PRC, we cannot assure you that we will be able to find sufficient high-quality construction contractors due to varying levels of development of property markets in different cities and our lack of familiarity with construction contractors in different cities.

In accordance with applicable PRC laws and regulations, we provide statutory warranties on the quality of properties we sell to our customers. Generally, we receive quality warranties from external construction contractors we engage to construct our development projects. If claims are brought against us under our warranties, and if the relevant construction contractor fails to indemnify us for these claims in a timely manner, or at all, or if the money retained by us is insufficient to cover our compensation obligations under the warranties, we could incur significant expenses to resolve these claims or face delays in rectifying the defects. This may harm our reputation and have a material adverse effect on our reputation, business, results of operations and financial condition.

We may not be successful in managing our expansion into new cities or regions

We have focused primarily on developing properties in Jiangsu Province and Anhui Province, and we intend to expand into other regions in the PRC. For further details on our expansion plan, please see "Our Business – Business strategies – We will further expand our operations in Jiangsu Province and other parts of China in which we currently do not have a presence".

When executing our expansion plan, we may face difficulties such as inadequate knowledge of and experience with local regulatory customs and policies, customer preferences and behaviour, business environment and competition with developers who may have a well-established local presence in the market. Although we believe that we are capable of making forward-looking assessment of the market and planning strategically, we cannot assure you that our market assessment will turn out to be accurate, or that we will execute our expansion plan successfully, especially in light of uncertain economic conditions as a result of economic downturn or global financial crisis. There can be no assurance that our expansion plan will generate positive returns on our investment.

Apart from external challenges, we may also face difficulties in managing construction and delivery of our projects. Although we have formulated an operation and execution model with standardised project design plan for swift adaptation, failure to observe our standards or inconsistencies in compliance may have an adverse impact on product quality and brand reputation. Further, expanding into new geographical locations requires a significant amount of capital and management resources, and we will need to manage our workforce to match our expansion plan. Any of these factors could have a material adverse effect on our business, results of operations and financial conditions.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and profits derived from changes in fair value upon transfer from inventories of properties to investment properties

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated income statement for the period in which they arise. Our investment properties were revalued by an independent property appraiser as of December 31, 2018, 2019 and 2020 on an open market and existing use basis, which reflected market conditions on the respective dates. Based on these valuations, we recognised the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on our consolidated income statement. For the years ended December 31, 2018 and 2019, our increases in fair value of investment properties were RMB365.9 million (restated) and RMB437.2 million, respectively. In 2020, we recorded fair value loss on investment properties of RMB177.5 million (US$27.2 million)

Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we receive in actual sales of our investment properties as compared with the recorded fair value of such properties may result in a loss or would materially and adversely impact our results of operations. For the year ended December 31, 2018 and 2020, our increases in fair value of investment properties upon transfer from inventories of properties were RMB520.9 million (restated) and RMB21.2 million (US$3.2 million), respectively. For the years ended December 31, 2019, there were no transfers from inventories of properties to investment properties.

For the years ended December 31, 2018, 2019 and 2020, we transferred inventories of properties to investment properties by appropriating those properties developed by us, which had not been contracted for sale, for leasing with a view to earning rental income. In accordance with paragraph 57(d) of HKAS 40 Investment Property, a transfer of our inventories of properties to investment properties takes places when and only when there is a change in use evidenced by the commencement of a lease agreement entered into with a tenant. The difference between the fair value of the property at that date and its previous carrying amount is recognized as profit or loss. Accordingly, our profits attributable to changes in fair value upon transfer from inventories of properties to investment properties for the years ended December 31, 2018, 2019 and 2020 are non-recurring in nature, and we may reduce the level of transfer or not at all effect any transfer from inventories of properties to investment properties in the future, which, in turn, may materially affect our profitability.

We provided relatively long rent-free periods to our tenants and may suffer impairment loss of rent receivables if our tenants terminate their leases during or shortly after the rent-free periods

For the years ended December 31, 2018, 2019 and 2020, we leased certain self-developed commercial properties to generate recurring income. We offered some of our tenants rent-free periods which effectively reduced the rent payable to us during the term of their respective leases.

Our existing leases may be terminated by the tenants before their expiration, especially during an economic downturn. Moreover, our tenants may terminate existing leases during or shortly after the relevant rent-free periods, which may result in an impairment loss of rent receivables from our tenants. We cannot assure you that we will be able to renew leases with our tenants or find replacement tenants upon expiration or early termination of existing leases at the same or better terms or at all. We may have to reduce our rent to attract potential tenants, which will, in turn, reduce our rental yield and have a negative impact on our rental income. In the event that we fail to renew leases with our tenants or re-lease vacant properties upon expiration or early termination of existing leases, or if we renew our leases or re-lease vacant properties on less favourable terms, our business, financial conditions and results of operations may be materially and adversely affected.

Any adverse publicity or other adverse development that may affect our reputation, brand image or the "Jia Yuan" or "佳源" brand generally and any failure in renewing the non-exclusive licence to use such brand may result in a material adverse effect on our business, results of operations and financial condition

We rely on our reputation and brand image to attract potential customers to our properties. Reputation and brand image are largely based on consumer perception with a variety of subjective qualities. Isolated business incidents, negative publicity concerning us or our properties, whether true or not, may degrade consumer confidence and in turn have a material adverse effect on our business, results of operations and financial condition. We cannot assure you that there will not be any false, inaccurate or negative media reports about us or our projects in the future.

In particular, we market our products under the "Jia Yuan" or "佳源" brand for which we have obtained a license to use from Jin Jiang Investment Limited (錦江投資管理有限公司) ("Jin Jiang Limited") and Zhejiang Jia Yuan Property Group Co., Ltd (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group"), which are companies wholly owned by Mr. Shum Tin Ching. For details, please see "Our Business – Intellectual property rights". However, our license to use these trademarks and brand names is non-exclusive. In this regard, the companies controlled by Mr. Shum from time to time (other than members of our Group) which are principally engaged in real estate development (the "Private Group") has marketed certain of its property development projects under the "Jia Yuan" or "佳源" brand. Any negative publicity or disputes regarding products owned by others and marketed under the licensed "Jia Yuan" or " 佳源 " brand, such as the property development projects of the Private Group, could adversely affect public perception of our products. Any impairment of our ability to continue selling products under the brand, or any significant damage to the brand's image could adversely affect our business, results of operations and financial condition. Further, under our trademark license agreement dated July 27, 2015, our non-exclusive licence to use the "Jia Yuan" and "佳源" brand remains effective only for a period of 10 years. If the licensor for any reason decides not to renew our licence upon its expiration, we cannot continue our operations under such trademarks, which may have a material adverse effect on our business, results of operations and financial condition.

We may fail to obtain requisite certificates, licenses, permits or governmental approvals for our property development operations in a timely manner

The property industry in the PRC is heavily regulated. Under PRC laws, rules and regulations, we are required to obtain and maintain various certificates, licences, permits and governmental approvals, including qualification certificates, land use rights certificates, construction land planning permits issued by local urban zoning and planning bureaux or competent authorities in the PRC (建設用地規劃許可證)("construction land planning permits"), construction works commencement permits issued by local construction committees or competent authorities in the PRC (建築工程施工許可證)("construction works commencement permits"), construction works planning permits issued by local urban zoning and planning bureaux or competent authorities in the PRC (建設工程規劃許可證)("construction works planning permits"), pre-sale permits authorizing a developer to start the pre-sale of a property under construction (商品房預售許可證)("pre-sale permits") and construction works completion inspection acceptance certificates/records issued by local urban construction bureaux or competent authorities in the PRC with respect to completion of property projects (竣工驗收備案)("completion certificates") during various stages of property development. We are required to meet certain conditions before the relevant government authorities issue or renew any certificate, licence or permit. Please see "Regulatory Overview" for further details.

We cannot assure you that our project companies will be able to renew their qualification certificates or upgrade their qualifications in a timely manner. If we or our project companies fail to renew qualification certificates before they expire, our applications for pre-sale or other necessary permits will be rejected, and this may have a material adverse impact on our business, results of operations and financial condition.

We cannot assure you that we will be able to adapt to new laws, rules and regulations as they come into effect from time to time with respect to the property development industry or that we will not encounter other material delays or difficulties in fulfilling the conditions to obtain or renew all necessary certificates, licenses or permits for our operations in a timely manner, or at all. If we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary certificates, licenses or permits for any of our major property development projects, we will not be able to continue with our development plans, and our business, results of operations and financial condition may be adversely affected. If we proceed with our operations without these requisite certificates, we may be penalized by the relevant government authorities, which may, in turn, adversely affect our business, results of operations and financial conditions. In 2015, we were fined an aggregate of RMB47,388 by government authorities for commencing construction works without the required construction works commencement permits. We had fully settled these fines and received from the relevant government authorities a written confirmation that these penalties had been settled in full.

We may not be able to complete or deliver our property development projects on time and we may be subject to liabilities as a result of such delays

Various factors may materially and adversely affect the progress of a property development project, including delays in obtaining necessary permits or governmental approvals, delays in delivery of land to us, changes in governmental policies, changes in market conditions, labour disputes, poor work quality of construction contractors, construction accidents and adverse weather conditions. We may also experience delays in obtaining the relevant land, which may adversely affect our business, results of operations and financial conditions.

If we fail to complete the properties on time, our customers may demand compensation for late delivery under the sales contracts or relevant PRC laws and regulations. For example, we experienced delays in delivering properties to our customers in three projects in 2016. As a result of delay, we paid approximately RMB0.8 million. Further, if our delay extends beyond a specified period, our customers may terminate the sales contracts and claim compensation. In addition, any delays in completing the construction works on time may expose us to penalties and claims by the relevant government authorities.

We cannot assure you that we will not experience any significant delays in the completion or delivery of our properties, or that we will not be subject to any liabilities for any such delays. If we experience a delay and we are liable to compensate for any such delay, this may have a material adverse effect on our business, results of operations and financial condition.

The PRC Government may impose fines or other penalties on us or revoke our land use rights if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters

Under PRC laws and regulations, the PRC Government may issue a warning, impose a penalty or reclaim our land if we fail to develop a particular project according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premium and other fees, as well as the time for commencement and completion of development.

Under current PRC laws and regulations, we may be subject to late penalties as stipulated in the land grant contracts if we fail to pay any outstanding land premium by the stipulated deadline. If we fail to commence development within one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may impose an idle land fee of up to 20% of the land premium on us unless the delay was caused by government actions or force majeure events. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land may be forfeited unless the delay was caused by government actions or force majeure events. We cannot assure you that we will be able to fully comply with our obligations under the land grant contracts or listing-for-sale letters in the future due to factors beyond our control, or that our property development projects will not be subject to idle land penalties or forfeiture by the government due to delays. If any of the above happens, we may lose both the opportunity to continue our property development project and our previous investment in the land and this may have a material adverse effect on our business, results of operations and financial condition.

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

Consistent with industry practice, we have arrangements with certain banks where we provide guarantees for mortgage loans taken out by our customers to purchase our properties. Consistent with industry practice, we do not conduct independent credit evaluations on our customers but rely on the credit checks conducted by the mortgagee banks. Typically, these guarantees terminate when the customer obtains the building ownership certificate issued by relevant PRC governmental authorities with respect to the ownership rights of buildings (房屋所有權證) (“building ownership certificate”) and the mortgage registration for the relevant property is completed. The duration of our guarantee varies on a case-by-case basis subject to, among other things, the time at which our customers obtain the relevant mortgage loans. Since: (i) the delivery of properties to our customers generally takes place within two years from the date of the relevant sales contract; and (ii) it is our policy to assist our customers to obtain the relevant building ownership certificates within six months from, among other things, the date of delivery of the relevant properties, the duration of our guarantees are generally within two and a half years from the date of the relevant sales contract. During the years ended December 31, 2018, 2019 and 2020, we provided guarantees of approximately RMB11,393 million (restated), RMB13,290 million and

RMB10,776 million (US$1,651 million), respectively. For further details on our guarantees for our customers' mortgage loans, please see "Our Business – Our key property development process – Sales and marketing – Sales". If a purchaser defaults on a mortgage loan, we may be required to pay off the mortgage by repaying the outstanding mortgage loans together with any accrued interest and penalties owed by the defaulting purchaser to the banks. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. We may be required to honour our guarantees in the event our customers default in repayment and this may have an adverse material impact on our business, results of operations and financial condition.

Our results of operations are largely dependent on the development and delivery schedule of our products which fluctuate, and such fluctuations make it difficult to predict our future performance

As our primary source of revenue is the sale proceeds of properties that we develop, our future cash flows and revenue depend on the timing of pre-sales and sales of our properties. In addition, our results of operations are also affected by other factors, including the schedule of our property development projects, the demand for our properties, any changes in our costs of development and our revenue recognition policy. According to our revenue recognition policy, we recognize revenue upon delivery of properties to our customers. There is a time difference between the pre-sale and completion of a property development project. The effect of this time difference is that the time at which our GFA is sold may not correspond with the time when we record a major part of our revenue if the properties are not sold and delivered within the same financial period.

Our revenue and profit during any given period generally reflect property purchases in the past. Accordingly, our results of operations for any given period may not be indicative of the actual demand, pre-sales or sales during that period or of results that may be expected for any future period.

We may be required to provide refunds to our customers or be subject to adverse legal consequences if we fail to obtain the relevant CAD Utilization Permits or otherwise maintain the validity of the CAD Utilization Permits or government confirmations which have been granted or provided to us

We transfer or lease the rights to use car parks constructed principally for civil air defence purposes ("CAD Car Parks"). Under the Civil Air Defence Law (中華人民共和國人民防空法), the National Civil Air Defence Office issued the Administrative Measures for Developing and Using the Civil Air Defence Property at Ordinary Times (人民防空工程平時開發利用管理辦法), the Administrative Measures for Maintaining the Civil Air Defence Property (人民防空工程維護管理辦法) and the Measures of Jiangsu Province for the Implementation of the Civil Air Defence Law of the People's Republic of China (江蘇省實施《中華人民共和國人民防空法》辦法) (the "Jiangsu CAD Measures") (collectively "CAD Laws"), we are allowed to manage and use the civil air defence facilities we develop during peacetime for profit. As of December 31, 2016, we had obtained the Utilization Permits During Peacetime (平時使用許可證)("CAD Utilization Permit") for Yangzhou Park Number One, Jiayuan Centurial Garden and Jiayuan Centurial Villa. In respect of Jiayuan Centurial Scenery Park and Oriental Paris City, we received written and oral confirmations from relevant government authorities in June and August 2015 confirming that: (i) we are authorized to lease and/or transfer the right to use all the CAD Car Parks we develop; and (ii) it is not necessary for us to obtain any permit or approval for our operations with respect to the CAD Car Parks. However, we cannot assure you that we can: (i) obtain the CAD Utilization Permits from relevant authorities for the usage rights of our CAD Car Parks that we intend to transfer or lease in the future; or (ii) maintain the validity of any CAD Utilization Permit or government confirmation that has been granted or provided to us. Any unauthorized transfers or leases of the right to use the CAD Car Parks may result in fines ranging between RMB10,000 and RMB50,000 and a requirement to rectify within a specified period of time.

If we fail to obtain the relevant CAD Utilization Permits or if the relevant government authorities revoke the CAD Utilization Permits or government confirmations granted or provided to us, our transfers of the usage rights of the CAD Car Parks may be deemed invalid. If there are any disputes regarding our transfers of the right to use the CAD Car Parks, we may be adjudicated or ordered to retrieve the right to use the CAD Car Parks from our customers and refund the consideration to our customers.

Under the CAD Laws, the rights to use CAD Car Parks during peacetime and to profit from the usage rights may not impair their function as civil air defence facilities. The design, construction, and quality of the civil air defence facilities must conform to the protection and quality standards stipulated by the PRC Government. If our customers fail to maintain the CAD Car Parks in accordance with the applicable laws and regulations and our transfer of the rights to use the CAD Car Parks is deemed invalid, we may be subject to adverse legal consequences.

In the event that the PRC Government declares a state of war, the PRC Government may take over the civil air defence facilities as civil air defence shelters. If our customers fail to deliver the CAD Car parks at the request by the PRC Government and our transfer of the rights to use the CAD Car Parks is deemed invalid, we may be subject to adverse legal consequences and government sanctions.

If any of the above happens, our business, results of operations and financial conditions may be materially and adversely affected.

Our profitability and results of operations are affected by changes in interest rates

We finance our property development projects primarily through proceeds from pre-sale and sale and borrowings from banks, trust companies, asset management companies and other persons. Interest rates constitute a major part of our costs of financing through external borrowings, and changes in interest rates have affected, and will continue to affect, our financing costs of property development projects. Our borrowings are primarily denominated in Renminbi, and the interest rates on our bank borrowings are primarily affected by the benchmark interest rate set by the PBOC. In the past few years, the benchmark interest rates fluctuated significantly. As most of our financing costs are capitalized and recognized as cost of sale upon actual sale, any increase in capitalized financing costs may adversely affect our gross profit margin in the future. On the other hand, trust companies and asset management companies generally do not link their interest rates to the PBOC benchmark interest rates and typically charge interest rates higher than those charged by commercial banks. Further, changes in interest rates may affect our customers' ability to secure mortgage loans on acceptable terms, which, in turn, may affect their ability to purchase and demand for our properties. Please see our audited consolidated financial statements included elsewhere in this offering circular for further details regarding our cash flow interest rate risk.

We cannot assure you that the PBOC will not raise benchmark lending rates further or otherwise discourage bank lending. In the event interest rates are further increased which lead to increase in our financing costs and/or decrease in demand for our properties, our business, results of operations and financial condition may be adversely affected.

Fluctuations in price of construction materials and labour costs may adversely affect our results of operation

We engage construction contractors for construction of our projects, and such contractors are responsible for procuring raw materials such as steel and cement. In recent years, the prices of steel and cement fluctuated.

Our contracts with construction contractors usually provide that we will adjust payment to our contractors if prices of certain construction materials increase beyond the prescribed price range. Please see "Our Business – Procurement" for further details. In addition to prices of raw materials, we also expect labour costs in the PRC to continue to increase in the future.

Further, we procure construction materials and components such as ceramic tiles, doors, intercommunication equipment and elevators directly from our suppliers. In the event of a material increase in our costs of construction which cannot be passed to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

Our success depends on the continuing service of our senior management

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of the directors of our Company ("Directors", each a "Director") and members of our senior management. If we lose the services of any of our key executives and cannot replace them in a timely manner, our business may be materially and adversely affected.

In addition, our success depends on our ability to attract and retain talented personnel. We may not be able to successfully attract, assimilate or retain all the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. Our failure to attract and retain competent personnel and any increase in staffing costs to retain such personnel could have a negative effect on our ability to maintain our competitive position and to grow our business. As a result, our business, results of operations and financial condition may be materially and adversely affected.

We may not have adequate insurance coverage to cover our potential liabilities or losses

We face various risks in the course of our business operations and may have inadequate or even no insurance coverage for those risks. In addition, in line with general industry practice in the PRC, we do not maintain insurance for risks associated with every aspect of our operations. Please see "Our Business – Insurance" for further information. In addition, certain losses such as natural hazards, civil disorder are not covered by insurance available on commercially reasonable terms. If any of the above occurs and we suffer losses, damages or liabilities in the course of our business operations and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition may be materially and adversely affected.

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

We did not fully comply with certain applicable laws and regulations during the years ended December 31, 2018, 2019 and 2020. Non-compliance incidents included: (i) commencing construction works before obtaining construction works commencement permits; (ii) tax non-compliance; (iii) deviation from construction works planning permit; (iv) failure to make adequate social insurance and housing provident fund contribution; and (v) inter-company loans. Although we have implemented internal control measures to prevent occurrence of similar incidents in the future, we cannot assure you that there will not be any non-compliance incidents within our Group in the future. In the event that we breach any applicable laws, rules or regulations, we may be subject to fines or penalties arising from such non- compliance incidents, which may have a material adverse effect on our business, results of operations and financial condition.

We may be subject to potential liability for environmental problems which may result in losses

We are subject to a variety of laws and regulations concerning the protection of the environment. In environmentally sensitive regions or areas, project development activities may be severely restricted or prohibited. Compliance with health and environmental laws and conditions may result in delays and increase in our compliance costs. Please see "Our Business – Environmental matters" for further details.

As required by PRC laws, we have engaged independent third-party environmental consultants to conduct environmental impact assessment for our property development projects. These environmental impact assessments were submitted to the relevant government authorities for approval before beginning development. However, the environmental impact assessments may not address all environmental liabilities or their full impact and we may not be aware of the full exposure of all our material environmental liabilities. If any portion of a project is found to be in breach of relevant environmental standards, the project may be suspended and we may be fined or penalized. If any of the above occurs, it may have a material adverse impact on our business, results of operations and financial condition.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may from time to time be involved in disputes with various parties involved in the development and sale of our properties, including contractors, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage our reputation, increase our costs of operations and divert our management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with our ways in respect of our operations, we may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to our property developments. We cannot assure you that we will not be so involved in any major legal or other proceedings in the future.

Our controlling shareholders and related parties may exercise influence over certain of our affairs and may have interests which differ from ours

As of December 31, 2020, Mingyuan Group Investment Limited ("Mingyuan Investment"), which is wholly-owned by Mr. Shum Tin Ching, was our largest shareholder with a 69.74% direct shareholding interest. In particular, Mr. Shum Tin Ching serves as our current Chairman of our board of Directors (the "Board") and non-executive Director. Accordingly, our controlling shareholders will be able to exert significant influence on our management, strategic direction, business and operations, subject to the Listing Rules and other applicable laws. The interests of our controlling shareholders may differ significantly from our interests and our other shareholders and creditors, including you, and we cannot assure you that our controlling shareholders will exercise influence over us in a manner that is in our best interests and those of our other shareholders and creditors or in a manner that will not conflict with our interests and those of our other shareholders and creditors.

We may not be able to sell our investment in real properties at prices or on terms satisfactory to us

In general, investment in real properties is relatively illiquid compared with other forms of investment. We may need to dispose of certain investment properties in the event of fluctuating economic, financial and investment conditions. We cannot assure you that we will be able to sell such investment properties at prices or on terms satisfactory to us.

The valuation attached to our property interests contains assumptions that may or may not materialize

Under HKFRS, we are required to reassess the fair value of our completed investment properties as of the date of every statement of financial position. Our valuations are generally based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values, and an income approach by taking into account the net rental income of properties.

Gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Our investment properties were revalued as of December 31, 2018, 2019 and 2020, on an open market and existing use basis which reflected market conditions on those dates. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (i) the properties will be developed and completed in accordance with the development proposals, (ii) regulatory and governmental approvals for the proposals have been obtained, (iii) all premiums in connection with the properties have been paid and the properties are free of encumbrances and other restrictions, and (iv) we are in possession of the proper legal titles and are entitled to transfer the properties at no extra land premium. For properties owned by the project companies in which we have an attributable interest of less than 100.0%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business.

Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values.

The construction business and the property development business are subject to claims under statutory quality warranties

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

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

The Enterprise Income Tax Law ("EIT Law") and the implementation regulations to the EIT Law issued by the PRC State Council became effective on January 1, 2008. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate on their global income. It is, however, currently unclear under what situations an enterprise's "de facto management body" would be considered to be located in China. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which defines the term "management body" in respect of enterprises that are established offshore by PRC enterprises. However, no definition of "management body" is provided for enterprises established offshore by private individuals or foreign enterprises like us. As such there is uncertainty whether we will be deemed to be a PRC "resident enterprise" for the purposes of the EIT Law. As of the date of this offering circular, the relevant PRC tax authorities have not notified us that, nor have we sought clarification as to whether, we or any of our non-PRC subsidiaries are considered a PRC resident enterprise for the purpose of the EIT Law. Substantially all of our management is currently based in China, and therefore, we may be treated as a PRC "resident enterprise" for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the EIT Law or the implementation regulations.

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

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur, including the Bonds. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any) is subject to applicable laws and restrictions contained in the debt instruments and obligations of such subsidiaries. Furthermore, under applicable PRC laws, rules and regulations, payment of dividends by our PRC subsidiaries is permitted only out of their retained earnings, if any, determined in accordance with PRC accounting standards.

Under PRC laws, rules and regulations, all of our PRC subsidiaries are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50% of their respective registered capital. As a result, all of our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. Our restricted reserves are not distributable as cash dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, pay dividends or otherwise fund and conduct our business.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. According to a circular issued by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) ("SAT"), effective 1 February 2007, LAT obligations must be settled with the relevant tax bureau within a specified time frame after completion of a property development project. For the years ended December 31, 2018, 2019 and 2020, we incurred LAT of approximately RMB1,030.7 million (restated), RMB1,131 million and RMB1,058.6 million (US$162.2 million), respectively. Please see "Regulatory Overview" for further details on PRC regulations on LAT.

Pending settlement of the LAT with the relevant tax authorities, we make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time. For the purpose of computing LAT provisions, we apportion deductible items such as land costs across various phases of our property development projects. As we calculate provisions for LAT based on our own apportionment of deductible expenses across development phases, the actual amount of LAT is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. Given the time gap between when we make provision for LAT and when the LAT payable is settled in full, the relevant tax authorities may not agree with our own apportionment of deductible expenses or our other bases adopted in the calculation of LAT. If we substantially underestimated the LAT payable for a particular period, this could have a material adverse effect on our results of operations for the subsequent financial period.

Risks Relating to Our Industry

PRC government policies, regulations and measures intended to curtail the overheating of the property market may adversely affect our business

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, the PRC government has introduced policies to curtail property development. On March 26, 2005, the General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) requiring measures to be taken to restrain the prices of residential properties from increasing too fast. On May 9, 2005, the General Office of the State Council approved the Opinion on Improving the Works on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見) issued by seven departments of the State Council, setting out guidelines for the relevant PRC authorities to control the rapid growth in the residential property market. On May 24, 2006, the General Office of the State Council approved the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見) issued by nine departments of the State Council. On September 27, 2007, PBOC and CBRC (the predecessor of the CBIRC) issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知). These measures, among others, imposed various restrictions on lending funds to property developers and extending mortgage loans to property purchasers. These measures also provide that the total area of units with a GFA of less than 90 square meters must equal at least 70% of a residential housing project's total GFA. On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Price from

Increasing too rapidly in Certain Cities(國務院關於堅決遏制部分城市房價過快上漲的通知)(the "April 17 Notice"), pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 square meters. The notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of PBOC benchmark lending rate. We cannot assure you that the governmental authorities will not require us to modify our development plans or that these new measures will not adversely impact our business due to the uncertainties involved in implementing these new measures.

On July 11, 2006, the MOC, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly issued the 171 Opinion which aims to regulate access by foreign investors to the domestic property market and to strengthen supervision over property purchases by foreign-invested enterprises. The 171 Opinion provides for, among other things, stricter standards for a foreign institution or an individual when purchasing real property in the PRC that is not intended for personal use. On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment(關於進一步加強、規範外商直接投資房地產業審批和監管的通知)(the "Notice 50") and revised on October 28, 2015, which imposed additional restrictions and requirements on foreign investment in the real estate industry.

On February 20, 2013, the State Council announced five measures on the control of the PRC property market, including: (1) stabilizing property prices. Each major city in China is required to compile and announce its target for 2013 on how to control the prices of newly completed commodity properties; (2) strictly limiting speculative purchase of properties. Restrictions on purchasing commodity properties should be strictly implemented; expand the scope of experimental taxation against residential properties held by individuals; (3) increasing the supply of small to medium-sized commodity properties and lands; (4) accelerating the construction of housing for low-income individuals; and (5) strengthening the supervision of the property market.

On February 26, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets(關於繼續做好房地產市場調控工作的通知) which, among other restrictive measures, provides that further restraining measures are to be adopted to strengthen the regulation of the real estate market. Major cities which have implemented the commodity housing purchase restrictions are required to enforce purchase restrictions in all administrative areas of cities and restricted housing are to include new commodity housing and second-hand housing. Non-local residents who have one or more residential property and fail to provide one-year or longer tax payment certificates or social insurance payment certificates will be barred from purchasing any residential properties located in the administrative areas subject to restrictions. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the Notice stipulates that the state will strictly enforce a 20% tax on profits from sales of homes. Financial institutions, subject to credit requirements being satisfied, will prioritize requests for mortgages for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply(《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build inspection systems to monitor the source of funds for land acquisition to ensure that the real estate developers use their own legal funds to purchase lands.

On May 19, 2018, the Ministry of Housing and Urban-Rural Development issued the Notice of MOHURD on Further Improving the Management and Control over the Real Estate Market (《住房城鄉建設部關於進一步做好房地產市場調控工作有關問題的通知》), according to which, all regions shall take practical measures to achieve targets of stabilizing housing prices, controlling rents, reducing leverage, preventing risks, adjusting structure, and stabilizing expectations, support rigid housing demands, and resolutely curb property speculation. It is necessary to improve the supply mode of commercial houses land and establish a linkage mechanism for land price and house price so as to prevent land prices from pushing up house prices. In key cities, the proportion of residential land should be enhanced and it is suggested that residential land represent at least 25% of land set aside for urban development.

Although the various control measures are intended to promote more balanced property development in the long term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. There is no assurance that the PRC government will relax existing restrictive measures, impose and enhance restrictive measures, or impose other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, our financial condition, results of operations and prospects may be materially and adversely affected.

We are heavily dependent on the performance of the property market in China, which is at a relatively early stage of development

The property development industry and the ownership of private property in the PRC are still in a relatively early stage of development. Although demand for private property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, all of which are beyond our control, may affect market development. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for private property may discourage the acquisition of new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights may inhibit demand for property developments, property operation services and property agency services.

Increase in resettlement costs and the inability to reach resettlement agreements associated with certain property developments may materially and adversely affect our business, financial condition and results of operations

Land parcels acquired by property developers for future development may have existing building or other structures or be occupied by third parties. In accordance with the Building on State-owned Land Expropriation and Compensation Regulation (國有土地上房屋徵收與補償條例) and applicable local regulations, a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development, directly or indirectly through the local government, and to provide compensation for their relocation and resettlement. The compensation payable by the property developer is calculated in accordance with a pre-set formula determined by the relevant provincial authorities, which may be subject to change. If such compensation formula is changed and the levels of compensation increased, land acquisition costs for property developers may be subject to substantial increases. In addition, if property developers or the local government fail to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating the PRC

Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects

Substantially all of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including 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 through allocation 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. Further, in May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications.

The global economic slowdown and turmoil in the global financial markets could have a negative impact on the world economy. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). The United Kingdom ceased to be a member of the European Union on January 31, 2020. During the period from that date to December 31, 2020, 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"). On December 29, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The TCA was subsequently signed on behalf of the EU on December 30, 2020; and the Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. 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. In addition, it is possible that the TCA may not be ratified by the European Parliament prior to the end of the Provisional Period, or at all, which would lead to further uncertainty as to the nature and terms of any subsequent relationships between the EU and the UK, and disruption may arise as a result. 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 or the Bonds is impossible to predict; but they could significantly impact volatility, liquidity and/or the market value of securities, including the Bonds, and could have a material adverse effect on our ability to make payments on the Bonds.

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. Subsequent to the entering of Phase I Agreement, the PRC government and the U.S. government adopted specific measures to exclude imports from the other country from additional tariffs.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

Our business and operations are primarily conducted in China and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. NDRC and the Ministry of Finance issued the Circular on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) effective on May 11, 2018 (the "Joint Circular") and on June 27, 2018, the NDRC issued a press release (the "Press Release") regarding responses from NDRC officials to an interview with respect to the Joint Circular. According to the Joint Circular and the relevant Press Release, the NDRC may further improve and strengthen the regulations on offshore debts. On July 9, 2019, the NDRC issued the Notice on Requirements on Applications for Registration of Foreign Debt Issued by Property Companies (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知)("Notice No. 778"), pursuant to which property companies can only issue foreign debts for exchange of medium and long-term foreign debts due within one year with respect to application for NDRC registration of foreign debt to be issued. It is unclear how the Joint Circular, the Press Release and Notice No. 778 will be implemented and if any detailed rules or regulations will be promulgated to achieve the goals mentioned in the Joint Circular, the Press Release and Notice No. 778. There is no assurance that offshore debts issued by property companies will not be further restricted and the PRC government may impose additional requirements or conditions for offshore debts. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

The PRC government may adopt further measures to regulate financings for the real estate industry

In August 2020, the MOHURD and the PBOC announced that they are considering new rules on capital monitoring and financing for key real estate enterprises, which would impose certain requirements on the asset-liability ratio (excluding proceeds from advance sales), net debt ratio and cash short-term debt ratio of real estate enterprises. It is unclear when and how such rules will be implemented.

On December 28, 2020, PBOC and CBIRC 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》) effective on January 1, 2021, 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 2.0% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBIRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period.

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

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment.

The Bonds are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33.0% from July 21, 2005 to December 31, 2014. 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. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. In addition, there remains significant international pressure on the PRC government to adopt a more flexible currency policy.

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, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Bonds, we may enter into additional foreign exchange or interest rate hedging agreements with respect to our U.S. dollar-denominated liabilities under the Bonds. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. We and our affiliates may enter into such hedging agreements permitted under the Trust Deed governing the Bonds, and these agreements may be secured by pledges of our cash and other assets as permitted under the Trust Deed governing the Bonds. If we were unable to provide such collateral, it could constitute a default under such agreements.

Changes in foreign exchange regulations may adversely affect our ability to transfer funds and subsequently impact the results of our operations

We currently receive most of our revenues from operations in the PRC and such revenues are denominated in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. There can be no assurance that these PRC laws and regulations on foreign investment will not cast uncertainties on our financing and operating plans in China. Under current foreign exchange regulations in China, subject to the relevant registration at SAFE, we will be able to pay dividends in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to service our foreign currency-denominated indebtedness and to distribute dividends to our shareholders in foreign currencies.

In addition, on August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or the Circular 142, a notice with respect to the administration of Renminbi converted from foreign exchange capital contributions of a foreign invested enterprise. As a result, unless otherwise permitted by PRC laws or regulations, such converted amount can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On March 30, 2015, SAFE issued the Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, or Circular 19, which became effective on June 1, 2015 and replaced Circular 142 and was amended on December 30, 2019. On June 9, 2016, SAFE issued 《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account) or "Notice 16". Circular 19 and Notice 16 provide that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry of monetary contribution has been registered) can be settled at the banks based on the actual operational needs of the enterprises. However, Circular 19 and Notice 16 maintain the restriction that Renminbi converted from foreign exchange capital contributions of foreign invested enterprises can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Furthermore, on October 23, 2019, SAFE issued《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》(Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment or "Notice 28"). Notice 28 provides that, investment-oriented foreign-invested enterprises may make equity investment with their capital funds in China in accordance with the laws and regulations; non-investment foreign-invested enterprises are allowed to make domestic equity investment with their capital funds in accordance with the law provided that the existing special administrative measures (negative list) for foreign investment access are not violated and the projects invested thereby in PRC are true and in compliance.

PRC regulations relating to acquisition of PRC companies by offshore holding companies may limit our ability to acquire PRC companies and may materially and adversely affect the implementation of our acquisition strategies as well as our business and prospects

The《關於外國投資者併購境內企業的規定》(the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors) which was issued by six PRC ministries and commissions, as effective on 8 September 2006 and revised on 22 June 2009 (the "M&A Provisions") were jointly implemented by six agencies, including the Ministry of Commerce of the PRC(中華人民共和國商務部)("MOFCOM"), the China Securities Regulatory Commission(中國證券監督管理委員會)("CSRC") and SAFE. Pursuant to the M&A Provisions, a foreign company lawfully established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval of MOFCOM prior to any acquisition of domestic enterprises related to such domestic company, enterprise or natural person. The M&A Provisions apply should foreign investors seek to: (i) purchase the equities or subscribe to the increased capital of a domestic non-foreign-invested enterprise and thus changing the domestic non-foreign-invested enterprise into a foreign-invested enterprise; or (ii) set up a foreign-invested enterprise to acquire assets from a domestic enterprise and operate these assets, or acquire assets from a domestic enterprise and set up a foreign-invested enterprise by injecting the acquired assets. The M&A Provisions stipulate that the business scope upon acquisition of a domestic enterprise must conform to the Special Management Measures for Foreign Investment Access (Negative List) (2020 version)(《外商投資准入特別管理措施(負面清單)(2020年版)》), or the Negative List, which came into effect on July 23, 2020. The Negative List expands the scope of permitted industries by foreign investment by reducing the number of industries that fall within the Negative List where restrictions on the shareholding percentage or requirements on the composition of board or senior management still exists. According to the Negative List, real estate development is a permitted industry for foreign investment access.

Should we decide to acquire a PRC enterprise, we cannot assure you that we or the owners of such PRC enterprise can successfully fulfil all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement our acquisition plans and may have a material adverse effect on our business, results of operations and financial condition results.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) issued on January 5, 2007 by SAFE and amended on May 29, 2016 (the "Individual Foreign Exchange Rules"), and relevant notice issued by SAFE in February 2012, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of SAFE and complete certain other procedures related to the share options or other share incentive scheme. However, no requirements or administrative rules have been issued by SAFE in connection with the registration process for employees of overseas non-listed companies that participate in employee stock holding plans or stock option plans. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizen or exchanged into Renminbi. Our PRC citizen employees who may be granted share options or restricted share units in the future, or our future PRC option holders, will be subject to the Individual Foreign Exchange Rules. If we or our future PRC option holders fail to comply with these regulations, we or our future PRC option holders may be subject to fines and legal or administrative sanctions.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on foreign laws against us, our directors and our senior management

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, the substantial majority of our directors and senior management reside within China. As a result, it may not be possible for investors to effect service of process outside China upon the substantial majority of our directors and senior management. Moreover, China does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of the judgment of courts. As a result, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult.

The national and regional economies in China and our prospects 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 named COVID-19 by the World Health Organization.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19 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.

Risks Relating to the Bonds

We are a holding company and payments with respect to the Bonds are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Bonds

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. 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. The Bonds will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Bonds will not be guaranteed by the Non-Guarantor Subsidiaries, and under the Terms and Conditions of the Bonds, Subsidiary Guarantors may be able to release their Subsidiary Guarantees or replace their Subsidiary Guarantees with limited recourse JV Subsidiary Guarantees, in each case subject to certain conditions. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors. The Subsidiary Guarantors and the JV Subsidiary Guarantors do not have material operations. Accordingly, our ability to satisfy our obligations under the Bonds and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of our PRC subsidiaries and other 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 Bonds. As a result, our payment obligations under the Bonds will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including obligations of our Non-Guarantor Subsidiaries under guarantees issued in connection with our business), 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 Bonds. As of 31 December 2020, our PRC subsidiaries had borrowings in the amount of 9,232.4 million (US$1,414.9 million) and they provided guarantees to banks for RMB10,776.3 million (US$1,651.5 million) of mortgage facilities granted to purchasers of our properties. The Bonds do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantors would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantors securing the related obligations over claims of holders of the Bonds.

Moreover, under the Terms and Conditions of the Bonds, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the Terms and Conditions of the Bonds may be replaced by a limited-recourse guarantee, a JV Subsidiary Guarantee, following the sale or issuance to a third party of a minority interest in such subsidiary or 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 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 Collateral Agent 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 Bonds.

The Company's ability to satisfy its obligations under the Bonds depends upon receipt of distributions from the Group's subsidiaries, associated companies and joint ventures

The Company is primarily an investment holding company and its ability to satisfy its obligations, including its obligations under the Bonds, depends upon the receipt of dividends, distributions, interest or advances from its wholly owned or partly owned subsidiaries, associated companies and joint ventures, including the Company's PRC subsidiaries. The ability of the Company's subsidiaries, jointly-controlled entities and associated companies to pay dividends may be subject to applicable laws and regulations. The outstanding indebtedness of the Company's subsidiaries may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Company's percentage interests in its subsidiaries, jointly-controlled entities and associated companies could be reduced in the future.

PRC laws and regulations permit payment of dividends only out of net profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. The Company's PRC subsidiaries are required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. In practice, the Company's PRC subsidiaries may pay dividends once a year at the end of each financial year. Some of the Company's PRC subsidiaries are also subject to certain restrictions on dividend distributions under their loan agreements with certain PRC banks. As a result, some of the Company's PRC subsidiaries may be restricted in their ability to transfer their profits to us whether in the form of dividends, loans or advances.

Any limitation on the ability of the Company's subsidiaries to pay dividends to the Company could materially and adversely limit the Company's ability to grow, make investments or acquisitions that could be beneficial to the Company's businesses, pay dividends, service our debts or otherwise fund and conduct the Company's business.

In addition, under the EIT Law and its implementation rules, dividends paid by the Company's PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Currently, there is no such treaty between the PRC and the British Virgin Islands, where substantially all of the Company's non-PRC subsidiaries are incorporated. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such limitations, dividend payments from the Company's PRC subsidiaries may not be sufficient to meet the Company's payment obligations under the Guarantee or to satisfy the obligations of the Subsidiary Guarantors under the other Guarantees.

In addition, the Company's ability to lend offshore shareholder loans to our property developer subsidiaries in the PRC is fairly limited. See "– The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds outside of China in our business in the PRC." Furthermore, in practice, the market interest rate that the Company's PRC non-property developer subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The Company's PRC subsidiaries are also required to pay a 10% withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by SAFE prior to any of the Company's non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that the Company will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy the Company's obligations under the Bonds.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Terms and Conditions of the Bonds, there could be a default under the terms of these agreements or the Terms and Conditions of the Bonds, which could cause repayment of our debt to be accelerated

If we are unable to comply with the restrictions and covenants in our current or future debt obligations and other agreements, including the indentures governing the Senior Notes, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Terms and Conditions the Bonds, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other debt 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, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

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

- incur or guarantee additional indebtedness and issue disqualified stock or preferred stock;
- declare dividends on their capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;

- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

Holders of the Bonds are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares

Holders of the Bonds are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Issuer's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares

Any issuance of the Company's equity securities after the offer of the Bonds could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt to equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair the Company's ability to raise capital through the sale of additional equity securities. There is no restriction on the Company's ability to issue bonds or the ability of any of the Company's shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that the Company will not issue bonds or that the Company's shareholders will not dispose of, encumber or pledge the Shares. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the

Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

Bondholders will bear the risk of fluctuations in the price of the Shares

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

The Company's results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares

The trading price of the Shares will be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Company operates and capital markets in general. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Conversion of the Bonds would dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares

The conversion of some or all of the Bonds would dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Holders have limited anti-dilution protection

The Conversion Price (as defined in the "Terms and Conditions of the Bonds") will be adjusted in the event that there is a subdivision, consolidation, re-designation or reclassification of Shares, rights issue, distribution, capitalisation of profits or reserves or other events. See "Terms and Conditions of the Bonds – Conversion." There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Bonds, including holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution (as defined in the Terms and Conditions of the Bonds) in writing signed by or on behalf of the holders of not less than 90% of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holder of Bonds duly convened and held. The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of holders of Bonds, subject as provided in the Terms and Conditions of the Bonds and the Trust Deed, agree to effect any modification to, or any waiver of the Agency Agreement, the Intercreditor Agreement or the Trust Deed, if to do so is not the opinion of the Trustee materially prejudicial to the interests of the Bondholders or is in the opinion of the Trustee of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorisation or waiver shall be binding on the holders of Bonds.

The Issuer may not have the ability to redeem the Bonds

Bondholders may require the Issuer, subject to certain conditions, to redeem all or some of their Bonds upon a transaction or event constituting a change of control, delisting, suspension of trading or other events as set out in Condition 8(D). The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness it holds.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar

Since we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, the Subsidiary Guarantors are incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of other jurisdictions with which the holders of the Bonds are familiar.

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

We have developed our Green Financing Framework and intend to adopt certain obligations with respect to the issue of Green Bonds as described in the section headed "Bonds Being Issued as Green Bonds." We intend to issue Green Bonds to fund new and existing projects and businesses with environmental benefits in alignment with the Green Bond Principles (2021). We cannot guarantee that we will be able to comply with the obligations as set out in the Green Financing Framework. However, it will not be an event of default under the terms of the Bonds if we fail to comply with such obligations. Such failure may affect the value of the Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Therefore, the Bonds may not be a suitable investment for all investors seeking exposure to green assets.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green," and therefore no assurance can be provided to potential investors that the eligible green projects will continue to meet the relevant eligibility criteria. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

While we intend to use the proceeds from the issuance of the Bonds in accordance with the Green Financing Framework, it would not be an Event of Default under the Description of the Bonds if it were to fail to comply with such intention. Any failure to use the net proceeds in the manner specified in this offering circular, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to the Bonds, may affect the value and/or trading price of the Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Bonds are included in any dedicated "green," "environmental," "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Company or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed and the Terms and Conditions and applicable laws and regulations, it will be for the Bondholders to take such actions directly.

Lack of a public market for the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Application will be made to the Hong Kong Stock Exchange for the listing, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given that an active trading market for the Bonds would develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds would trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the price of the Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition; and general market and economic conditions; or
- the Group's financial condition and historical financial performance and future prospects.

Interest payable by us to our foreign investors and gain on the sale of our Bonds may become subject to withholding taxes under PRC tax laws

Under the Enterprise Income Tax Law of the PRC (the "PRC EIT Law"), if we are deemed a PRC resident enterprise, the interest payable on the Bonds will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if there is such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realized on the transfer of the Bonds by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC "resident enterprise", so it is unclear whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Bonds, would be treated as income sourced within China and be subject to PRC tax. If we are required under the PRC EIT Law to withhold PRC income tax on our interest payable to our foreign shareholders who are "non-resident enterprises", we will be required to pay such additional amounts as are necessary to ensure receipt by the holder of the full amount which the holder would have received but for such withholding. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flows. In addition, if you are required to pay PRC income tax on the transfer of our Bonds, the value of your investment in our Bonds may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise", holders of our Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral

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

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Bonds 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 Bonds will not be guaranteed by certain other Non-Guarantor Subsidiaries and under the Terms and Conditions of the Bonds, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. As a result, the Bonds will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

The Subsidiary Guarantors and JV Subsidiary Guarantors that guarantee the Bonds do not have significant operations. We cannot assure you that the Subsidiary Guarantors and JV 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 financial obligations under the Bonds if we are unable to do so.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the Terms and Conditions of the Bonds may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or 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 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.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, 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 such incurrence;
- 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 jurisdiction which are being applied. 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 property 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 debt as it 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 guarantors. 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.

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 under the Subsidiary Guarantees or JV Subsidiary Guarantors (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantors without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantors, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or held the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Bonds 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, and would solely be creditors of us and any Subsidiary Guarantor or JV Subsidiary Guarantors whose guarantee was not 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 Bonds.

The pledge or charge of certain Collateral may in some circumstances be voidable

The pledge or charge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or charge or, under some circumstances, within a longer period. Pledges or charges of issued Capital Stock of future Subsidiary Guarantors or where applicable, certain JV Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge or charge of certain Collateral may be voided based on the analysis set forth under "– 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."

If the pledges or charges of the Collateral were to be voided for any reason, holders of the Bonds would have only an unsecured claim against us.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Bonds, the Senior Notes and other Permitted Pari Passu Secured Indebtedness

The Collateral consists only of the issued Capital Stock of the Subsidiary Guarantors and our proportional interest in the JV Subsidiary Guarantor and may in the future include our proportional interest in certain JV Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Bonds, the Senior Notes and other Permitted Pari Passu Secured Indebtedness to repay other debt or to make investments in properties and assets that will not be pledged or charged as additional Collateral.

The ability of the Collateral Agent, on behalf of the holders of the Bonds, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Collateral Agent or holders of the Bonds will be able to enforce the security interest.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Bonds. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Bonds would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Bonds. By their nature, some or all of the Collateral, in particular, the Capital Stock of the existing or any future Subsidiary Guarantors or where applicable, certain future JV Subsidiary Guarantors, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral is shared on a *pari passu* basis by the holders of the Bonds, Senior Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Bonds or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Bonds and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Bonds and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Bonds and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Bonds and the disposition of assets comprising the Collateral, subject to the terms and conditions of the Bonds.

The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors to pay amounts due under the Bonds and the Subsidiary Guarantees and the Intercreditor Agreement may limit the rights of holders of the Bonds to the Collateral

Provided the Collateral Agent is indemnified and/or secured to its satisfaction, it may be required to take action to enforce the Collateral in accordance with the instructions of holders of the Bonds and the Senior Notes, and creditors of other Permitted Pari Passu Secured Indebtedness given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect our entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Bonds. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees, will be adversely affected. The ability of holders of the Bonds to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an Event of Default occurs under the

Bonds, the Senior Notes, the holders of the Bonds and the Senior Notes, the lenders of the 2017 Facility and creditors of other Permitted Pari Passu Secured Indebtedness must decide whether to take any enforcement action and thereafter, through their respective trustee or agent, subject to the satisfaction of the conditions under the Intercreditor Agreement, may instruct the Collateral Agent to take such enforcement action. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Bonds.

The Collateral Agent, acting in its capacity as such, will have such duties with respect to the Collateral pledged, charged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement and as trustee and agent in respect the Senior Notes. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Bonds and the Senior Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Bonds and the Senior Notes, unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral Agent against any loss, liability, cost or expense.

The pledge or charge of certain Collateral may be released under certain circumstances

In the event that a Subsidiary Guarantor is able to release its Subsidiary Guarantee by selling or issuing more than 20% of the issued Capital Stock of such Subsidiary Guarantor to a third party, because the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of our total assets, we are permitted to release the pledge or charge of the shares granted by and over such Subsidiary Guarantor.

Moreover, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge or charge of the shares granted by such Subsidiary Guarantor, as well as the pledge or charge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge or charge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms and conditions of the Bonds, the Collateral will be reduced in value and scope, and holders of the Bonds would be subject to increased risks.

USE OF PROCEEDS

We intend to use the net proceeds to refinance our existing indebtedness, in accordance with our Green Financing Framework. The use of proceeds of the Bonds will be in compliance with the description under this offering circular titled "Bonds Being Issued as Green Bonds.".

BONDS BEING ISSUED AS GREEN BONDS

1. INTROUDCTION

1.1 About Jiayuan

Jiayuan International Group Limited (the "Company" and together with its subsidiaries, collectively as the "Group") is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China ("PRC"). As of December 31, 2019, the total land bank of the Group was approximately 17.7 million sq.m.

With over 20 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and strengthen the "Jiayuan" brand.

As of December 31, 2020, the Group has a portfolio of 88 property projects in China. Ever since its establishment, the Group has had a deep presence in the property project development in Jiangsu region. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau.

In 2018, it established a joint venture company in Hong Kong to formally enter the Hong Kong real estate market. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the "Belt and Road" initiative, such as acquiring fine land parcels in Cambodia.

1.2 Green Commitment At Jiayuan

Environmental sustainability is one of the Group's key issues in its fulfilment of social responsibility. The Group complies with the relevant environmental laws and regulations for each Point of Business. By implementing the Environmental Protection Policies Declaration, it also injects the concept of environmental sustainability into its business operations, manages the emissions and the use of resources properly as well as protects the environmental and natural resources. Jiayuan International's Green Activities always strive to comply with national and/or international environmental standards and/or local laws and regulations as applicable.

2. GREEN FINANCING FRAMEWORK

Green Financing Transactions ("GFT"s) will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects Categories as defined in this Framework.

– With respect to bonds, bonds issued under this Framework will be aligned with 2021 Green Bond Principles ("GBP") by ICMA, or as they may subsequently be updated.

– With respect to loans, loans issued under this Framework will be aligned with the 2021 Green Loan Principles including Guidance Notes ("GLP"), or as they may subsequently be updated.

– Other GFT may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

GFTs may be done in any jurisdiction and market reflecting Jiayuan's current and future business needs

For each GFT, Jiayuan management asserts that it will adopt the following core components of the GBP and GLP:

1. Use of proceeds;

2. Process for project evaluation and selection;

3. Management of proceeds;

4. Reporting; and

5. External review.

The Framework will be in force as long as there is live GFTs. Jiayuan may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting. Jiayuan commits to communicate changes with investors via Jiayuan's official website.

2.1 Use of Proceeds

The net proceeds of the Green Bonds and Loans will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the below categories of eligibility as recognized in the 2021 GBP ("Eligible Green Projects"):

2.1.1 Eligible Green Project Categories

Eligible Green Project Categories may include the projects Jiayuan made during the 3 years prior to the issuance or signing date of the respective GFTs and during the life of the GFTs.

Project Category	Eligible Green Projects for Jiayuan	UN SDG Goals
Green Buildings	• New construction and/or renovation/refurbishment of existing buildings that have or will receive, any one of the following certification systems: o U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or o BEAM Plus – minimum certification level of Gold; or o BREEAM – minimum certification level of Excellent; or o Chinese Green Building Evaluation Label (GBL) – minimum certification level of 2 stars. Any other green building label, that is an equivalent standard of the above.	**SDG 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes. **SDG 11.7:** By 2030, reduce the adverse per capita, environmental impact of cities.
Pollution Prevention and Control	• Equipment, system that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings • Enforcement of dust control, noise reduction, construction waste and gas pollution minimization.	**SDG 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
Sustainable Water Management	• Water saving features projects to reduce domestic and commercial water consumption (e.g. rainwater harvester, cooling water recycler, irrigation system with water-saving features), that shall result in 10% improvement against the development's original water consumption.	**SDG 6.3:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals.

Renewable Energy	• Design, construction, installation and operation of renewable energy systems, including solar (photovoltaic) for rooftop.	**SDG 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
Clean Transportation	• Infrastructure for clean energy vehicles such as electric vehicles and hydrogen vehicles. Projects include charging stations for electric vehicles and will be dedicated to clean energy vehicles.	**SDG 11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

2.1.2 Exclusions

The following industries are excluded from consideration for eligibility ("Exclusions"):

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage);
- Weapon;
- Alcohol;
- Tobacco;
- Fossil fuel;
- Nuclear;

2.2 Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas, including the project teams.

Jiayuan has set up an ESG Working Group ("ESGWG") to oversee its ESG and Sustainability reporting. The ESGWG will also resume the responsibility of GFTs. ESGWG is composed of representatives from the below departments with the required level of expertise and seniority:

– Internal Control Department (including ESG Working Group)

– Investment and Development Department

– Administrative and Human Resources Department

– Sales and Marketing Department

– Engineering and Cost Control Department

– Accounting Department

– Finance Department

The ESGWG will meet at least every 12 months to review and select eligible projects according to the criteria outlined in Sections 2.1.1 mentioned above. The shortlisted projects will be presented to the Board of Directors for approval.

The ESGWG will ensure that the selected Eligible Project comply with the section of Use of Proceeds in this framework, with the environmental guidelines under the GBP and GLP, as well as with Jiayuan's Environmental, Social and Governance Policies which offers risk management tools to mitigate related ESG risks.

In addition, the ESGWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

Eligible Projects may include new projects, projects under construction or in Jiayuan's portfolio, with a disbursement date no older than 3 years.

2.3 Management of Proceeds

The net proceeds from each GFT issued will be managed by Jiayuan's finance team and the proceeds of each GFT will be deposited in the general funding accounts. An amount equals the all net proceeds from each GFT will be earmarked for allocation to Eligible Green Projects, in accordance with Jiayuan Green Financing Framework.

Jiayuan will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information including:

(1) Type of Funding Transaction:

- Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.

(2) Allocation of Use of Proceeds:

- Name and description of Eligible Projects to which the proceeds of the GFTs have been allocated in accordance with the Framework;
- Allocation of the proceeds of GFTs to Eligible Projects;
- The balance of unallocated proceeds; and
- Information of temporary investment for unallocated proceeds.

Jiayuan is committed to allocating all proceeds from the GFT to Eligible Project exclusively on a best effort basis within one year of the GFT issuance in accordance with the evaluation and selection process set out above.

Jiayuan will monitor the allocation to Eligible Project and track the net proceeds through its internal accounting system.

Pending allocation, the net proceeds from the GFT(s) issued may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of Jiayuan.

During the life of the GFT issued, if the designated Projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

2.4 Reporting

Jiayuan will provide information on the allocation of the net proceeds of its GFTs in Jiayuan's Sustainability/ESG Reports and/or website. Such information will be provided on an annual basis until full allocation. The information will contain at least the following details:

2.4.1 Allocation Reporting

Jiayuan will provide the following information for the net proceeds of all the GFTs during the period:

- The aggregate amount allocated to various Eligible Projects;
- The remaining balance of funds which have not yet been allocated and type of temporary investment;
- Share of financing vs. refinancing; and
- Examples of Eligible Projects (subject to confidentiality disclosures).

2.4.2 Impact Reporting

Where possible, Jiayuan will report on the environmental impacts associated with the Eligible Projects funded with the net proceeds of the GFT(s).

Subject to the nature of Eligible Projects and availability of information, Jiayuan will include, but not limited to, the following Impact Indicators:

Eligible Categories	Impact Indicators
Green Buildings	• Level of certification by property • Energy efficiency gains in MWh or % vs. baseline • Estimated avoided GHG emissions (tCO2eq) • Annual energy savings (MWh pa) • Annual reduction in water consumption (litres)
Pollution Prevention and Control	• Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. • Amount of waste reused or recycled (tons or in % of total waste) • GHG emissions or pollutants reduced/avoided per year (tCO2e)
Sustainable Water Management	• Amount of water recycled (litres) • Amount of water reused (litres)
Renewable energy	• Renewable energy produced (MWh) • Renewable energy capacity (MW) • Estimated avoided GHG emissions (tCO2eq) • Annual energy savings (MWh pa)
Clean Transportation	• Number of charging points for electric vehicles

3. External Review

Jiayuan has engaged S&P Global Ratings to provide a Second Party Opinion ("SPO") on its Green Financing Framework. The SPO, together with the Framework will be available at https://www.jiayuan.com/.

EXCHANGE RATE INFORMATION

PRC

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

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

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

	Noon Buying Rate			
Period	**Period end**	**Average(1)**	**High**	**Low**
	(RMB per US$1.00)			
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4932
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July (through July 16, 2021)	6.4785	6.4736	6.4898	6.4600

Source: Federal Reserve H.10 Statistical Release

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

Hong Kong

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

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

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK per US$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021				
January	7.7531	7.7533	7.7555	7.7517
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July (through July 16, 2021)	7.7676	7.7670	7.7680	7.7651

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets out, on a consolidated basis, our capitalization and indebtedness as of December 31, 2020, on an actual basis and as adjusted to give effect to the issuance of the January 2021 Notes, the May 2021 Bonds and the Notes before deducting the commission and other estimated expenses of this offering. Prospective investors should read this table with our financial information as of December 31, 2020 and the accompanying notes included in this offering circular.

	As of December 31, 2020			
	Actual		As adjusted	
	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in millions)			
Cash and cash equivalents[1]	10,941	1,677	14,491	2,197
Short-term Borrowings[2]				
Borrowings – due within one year	1,378	211	1,378	211
Senior notes[3] [4]	5,688	872	5,688	872
Total current borrowings	7,066	1,083	7,066	1,083
Non-current borrowings				
Borrowings – due after one year	11,255	1,725	11,255	1,725
Senior notes[3]	3,065	470	3,065	470
January 2021 Notes	–	–	2,077	294
May 2021 Notes	–	–	820	126
Bonds to be issued[5]	–	–	653	100
Total non-current borrowings	14,320	2,195	17,870	2,715
Total equity	17,458	2,676	17,458	2,676
Total capitalization[6]	31,778	4,871	35,328	5,391

Notes:

(1) Cash and cash equivalents exclude restricted/pledged bank deposits of RMB1,938.1 million (US$297.0 million).

(2) Subsequent to December 31, 2020, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. See "Description of Material Indebtedness and Other Obligations." These additional borrowings are not reflected in the table above.

(3) See note 28 to our consolidated financial information as of and for the year ended December 31, 2020 contained elsewhere in this offering circular.

(4) Except disclosed above, the table has not reflected the impact of the repurchases in February and March 2021. On February 5, 2021, we repurchased the March 2022 Notes in an aggregate principal amount of US$55,755,000. On March 11, 2021, we further repurchased the March 2022 Notes in an aggregate principal amount of US$61,538,000 following the exercise of a put option pursuant to the terms of the March 2022 Notes.

(5) The Bonds should be bifurcated into and separately accounted for as debt component and equity or derivative liability component according to Hong Kong Financial Reporting Standards. For illustrative purposes only, the initial proceeds from issuance of the Bonds as a whole have been presented as the Bonds to be issued under "Non-current borrowings" in the above table.

(6) Total capitalization includes total non-current borrowings plus total equity.

Except disclosed above, there has been no material change in our capitalization and indebtedness, on a consolidated basis, since December 31, 2020.

Subsequent to December 31, 2020, we have incurred additional indebtedness, including the issuance of the January 2021 Notes and May 2021 Notes. See "Description of Material Indebtedness and Other Obligations."

In our ordinary course of operations, including before and after the completion of this offering, we may incur additional debt, including Renminbi denominated borrowings or issue other debt securities. Except as otherwise disclosed in this offering circular, there has been no material adverse change in our capitalization since December 31, 2020.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table set forth our summary consolidated financial information and other data as of the dates and for the periods indicated.

Our consolidated financial statements for the year ended December 31, 2018 have been restated as the Company has applied merger accounting to the acquisitions, being business combinations involving entities under common control. In preparing the consolidated financial statements for the year ended December 31, 2019, the comparative amounts of the consolidated financial statement for the year ended December 31, 2018 has been restated to present as if Chuangyuan Group and Huiyuan Group had been combined as at January 1, 2018. It should be read in conjunction with the circulars issued by the Company for the acquisition of Chuangyuan Group and Huiyuan Group dated December 24, 2018 and June 25, 2019, respectively.

The summary of consolidated financial information as of and for the years ended December 31, 2019 and 2020 (except for the EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 and included elsewhere in this offering circular. Unless otherwise specifically indicated, all references to financial information as of and for the year ended December 31, 2018 presented in this offering circular are to our financial information as restated for such period. The restated financial information for the year ended December 31, 2018 presented in this offering circular has not been reviewed or audited. Investors should be aware that, as a result of the restatement, the restated financial information contained in this offering circular may not be directly comparable to historical financial information as previously reported to the Hong Kong Stock Exchange in our annual reports.

As of January 1, 2018, the Group adopted HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15"), which are effective for accounting periods beginning on or after January 1, 2018.

According to the HKFRS 9 and HKFRS 15 transitional arrangements, upon initial application of HKFRS 9 and HKFRS 15, the Group is not required to restate the comparative figures of the prior period. Instead, differences caused by the adoption of the HKFRS 9 and HKFRS 15 are adjusted in the beginning balance of retained earnings and other comprehensive income. Therefore, the Group's 2018 consolidated financial statements is not comparable with the Group's 2017 consolidated financial statements. For the impact on adoption of HKFRS 9 and HKFRS 15, please refer to note 2 to the Group's 2018 annual report.

The Company has adopted HKFRS 16 "Leases" ("HKFRS 16") retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognized in the opening balance sheet on January 1, 2019. For details, please refer to notes to our audited consolidated financial statement as of and for the year ended December 31, 2019 included elsewhere in this offering circular. As such, the audited consolidated financial information as of and for the year ended December 31, 2019 may not be directly comparable against the Company's consolidated financial information as of and for the year ended December 31, 2018.

As such, investors should exercise caution when reviewing our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020.

Our consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary consolidated financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this offering circular.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

	For the year ended December 31,			
	2018	**2019**	**2020**	
	RMB (unaudited) (restated)[1]	**RMB**	**RMB**	**US$ (unaudited)**
	(In thousands, except for percentages)			
Revenue	13,616,003	16,070,171	18,363,185	2,814,281
Cost of sales	(9,112,135)	(10,828,170)	(12,427,653)	(1,904,621)
Gross profit	**4,503,868**	**5,242,001**	**5,935,532**	**909,660**
Other income	351,707	308,478	380,098	58,253
Other gains and losses	(179,135)	(221,777)	852,383	130,633
Net impairment (losses)/reversal on financial assets	(94,764)	19,942	(27,974)	(4,287)
Fair value change on investment properties	365,890	437,238	(177,503)	(27,204)
Change in fair value upon transfer from inventories of properties to investment properties	520,917	–	–	–
Fair value change on financial assets at fair value through profit or loss	12,930	–	–	–
Selling and marketing costs	(358,984)	(303,407)	(297,942)	(45,662)
Administrative expenses	(420,010)	(492,296)	(422,990)	(64,826)
Other expenses	(2,266)	–	–	–
Finance costs	(293,400)	(282,698)	(317,641)	(48,681)
Share of results of investment accounted for using the equity method	86,449	82,056	125,041	19,163
Profit before taxation	**4,493,202**	**4,789,537**	**6,049,004**	**927,049**
Income tax expenses	(2,141,018)	(2,329,054)	(2,517,811)	(385,871)
Profit for the year	2,352,184	2,460,483	3,531,193	541,178
Other comprehensive income (loss)				
Item that may be reclassified to profit or loss:				
Fair value gain on available-for-sale investment	2,681	–	–	–
Exchange differences arising on translation of foreign operations	(6,087)	2,511	(1,821)	(279)
Total comprehensive income for the year	**2,348,778**	**2,462,994**	**3,529,372**	**540,899**
Other Financial Data				
EBITDA[(2)]	4,801,155	5,085,020	6,386,214	978,730
EBITDA margin[(3)]	35%	32%	35%	35%

(1) The financial information for the year ended December 31, 2018 has been restated as a result of our acquisition of Chuangyuan Group and Huiyuan Group. See note 1 of our consolidated financial statements for the year ended December 31, 2019 for further details.

(2) EBITDA for any period consists of profit for the year adjusted by the finance costs, income tax expenses and depreciation. 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. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for a reconciliation of our profit or loss for the year under HKFRS to our definition of EBITDA.

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

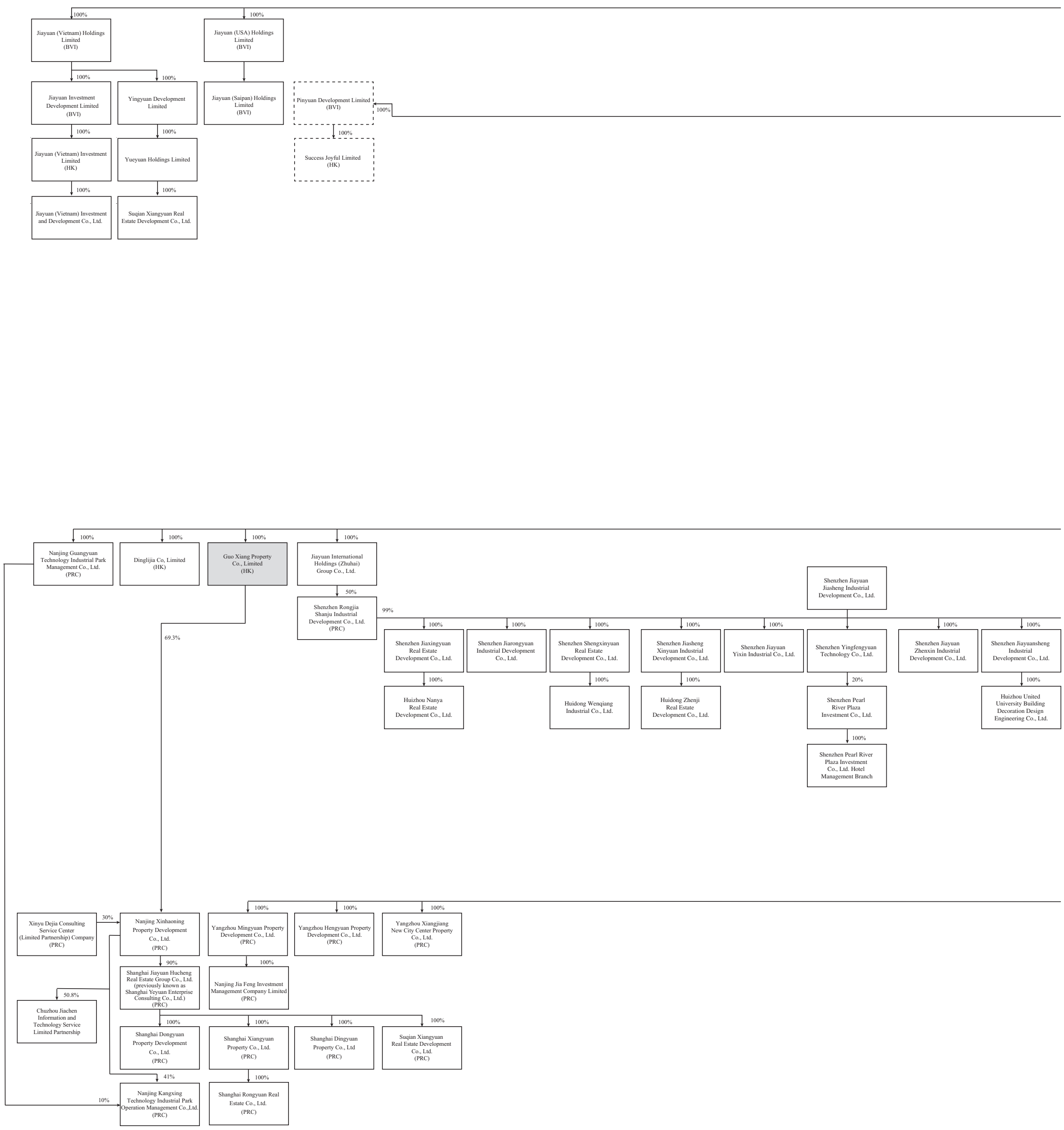
Consolidated Statement of Financial Position

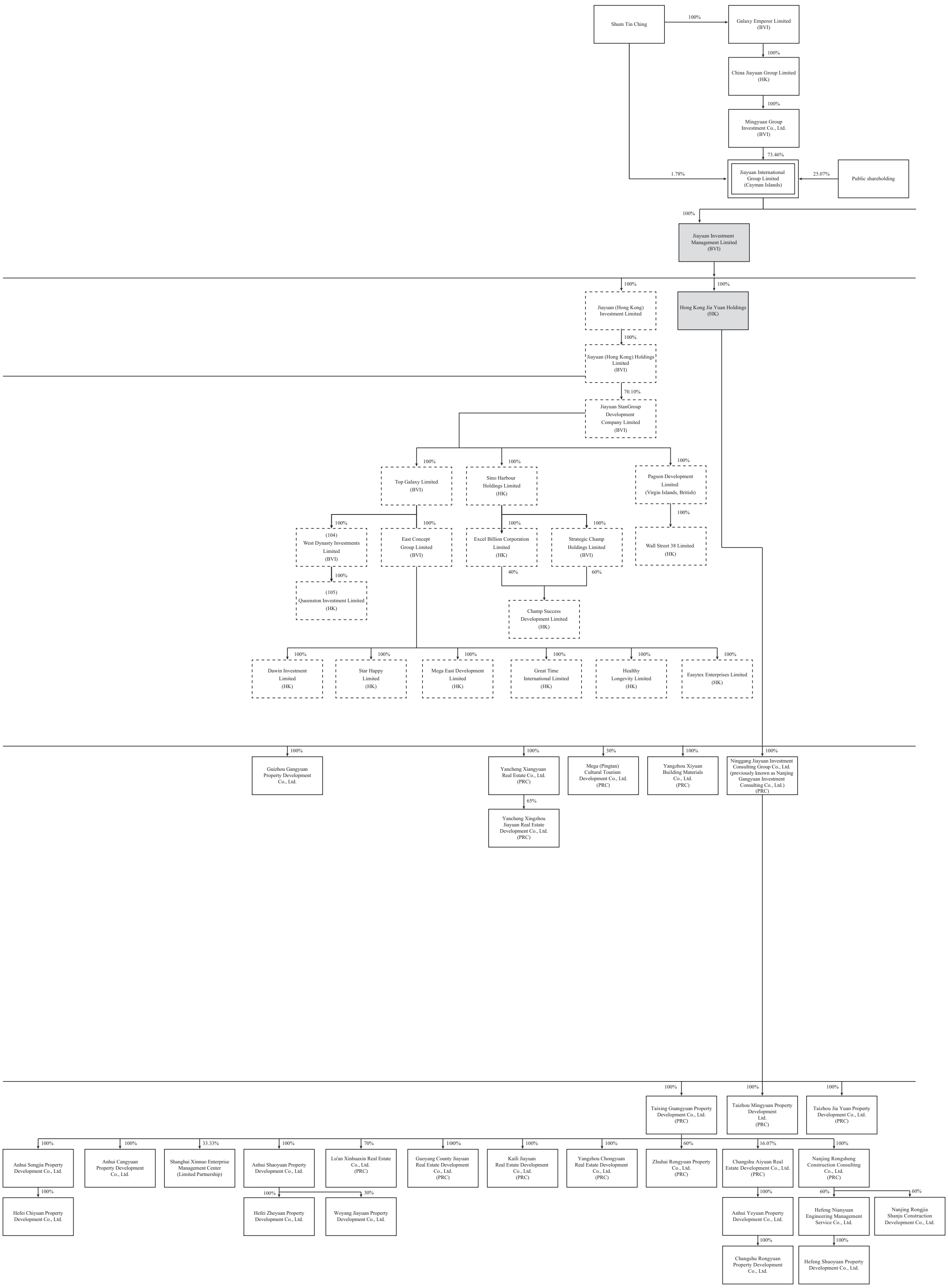
	As of December 31,			
	2018	2019	2020	
	RMB (unaudited) (restated)[1]	RMB	RMB	US$ (unaudited)
	(In thousands)			
Non-Current Assets				
Investment properties	7,571,718	7,841,906	7,926,545	1,214,796
Property and equipment	133,765	132,880	123,671	18,953
Intangible assets	1,487	31,328	38,670	5,926
Right-of-use assets	–	10,694	9,624	1,475
Investments accounted for using the equity method	245,465	985,051	2,289,700	350,912
Financial assets at fair value through profit or loss	80,871	668,204	961,039	147,286
Deposits paid for acquisitions	1,935,423	1,167,684	1,150,157	176,269
Deferred tax assets	559,179	597,494	668,841	102,504
Trade and other receivables	3,909	124,934	38,450	5,893
	10,531,817	11,560,175	13,206,697	2,024,014
Current Assets				
Inventories of properties	32,080,889	34,112,077	42,338,765	6,488,700
Financial assets at fair value through profit or loss	707,499	168,775	131,880	20,211
Trade and other receivables	10,131,059	7,177,335	5,286,935	810,258
Prepaid income tax	513,848	563,705	383,901	58,835
Restricted/pledged bank deposits	2,103,123	2,123,101	1,938,081	297,024
Cash and cash equivalents	4,599,433	6,030,412	9,002,740	1,379,730
	60,667,668	61,735,580	72,288,999	11,078,772
Current Liabilities				
Trade and other payables	6,162,953	6,395,483	7,283,549	1,116,250
Pre-sale deposits received	17,264,139	19,940,467	18,136,057	2,779,472
Lease liabilities	–	3,597	6,638	1,017
Current income tax liabilities	3,156,105	4,628,119	6,558,589	1,005,148
Bank and other borrowings	7,012,996	4,667,930	1,377,858	211,166
Senior notes	4,477,446	314,084	5,687,872	871,705
Derivative financial instruments	–	–	190,913	29,259
	38,073,639	35,949,680	39,241,476	6,014,017
Net Current Assets	**12,062,212**	**14,225,725**	**19,840,826**	**3,040,741**
Total Assets Less Current Liabilities	**22,594,029**	**25,785,900**	**33,047,523**	**5,064,755**
Capital and Reserves				
Share capital	21,083	33,870	34,876	5,345
Reserves	9,045,432	9,825,610	13,583,354	2,081,740
Equity attributable to owners of the Company	9,066,515	9,859,480	13,618,230	2,087,085
Non-controlling interests	1,470,165	1,977,678	3,839,498	588,429
Total Equity	**10,536,680**	**11,837,158**	**17,457,728**	**2,675,514**
Non-Current Liabilities				
Bank and other borrowings	7,787,925	7,462,249	11,254,769	1,724,869
Derivative financial instruments	–	238,387	–	–
Lease liabilities	–	7,317	2,957	453
Pre-sale deposits received	647,722	500,510	540,412	82,822
Deferred tax liabilities	660,139	779,587	726,512	111,343
Senior notes	2,735,063	4,960,692	3,065,145	469,754
Other payables	226,500	–	–	–
	12,057,349	13,948,742	15,589,795	2,389,241
	22,594,029	25,785,900	33,047,523	5,064,755

(1) The financial information for the year ended December 31, 2018 has been restated as a result of our acquisition of Chuangyuan Group and Huiyuan Group. See note 1 of our consolidated financial statements for the year ended December 31, 2019 for further details.

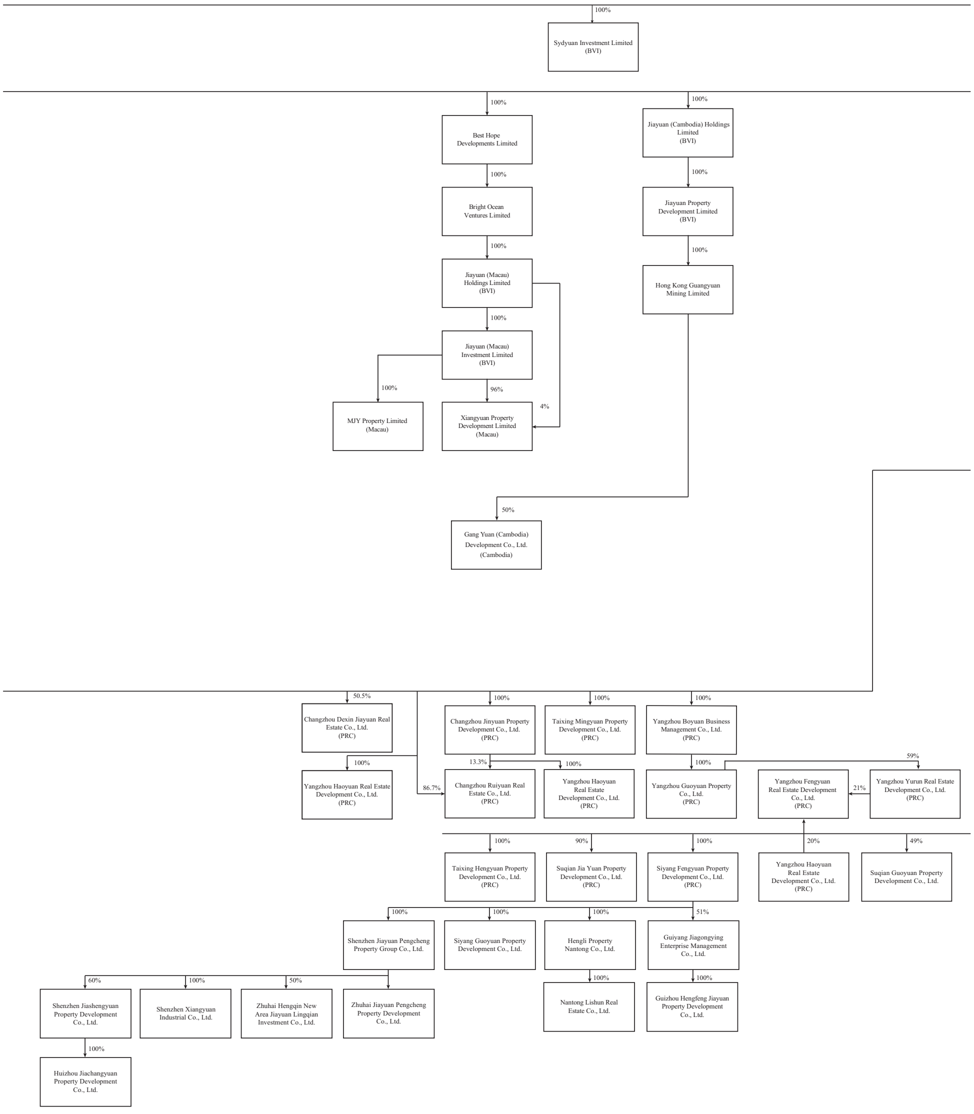
CORPORATE STRUCTURE

The following chart sets out our simplified shareholding and corporate structure as of the date of this offering circular:

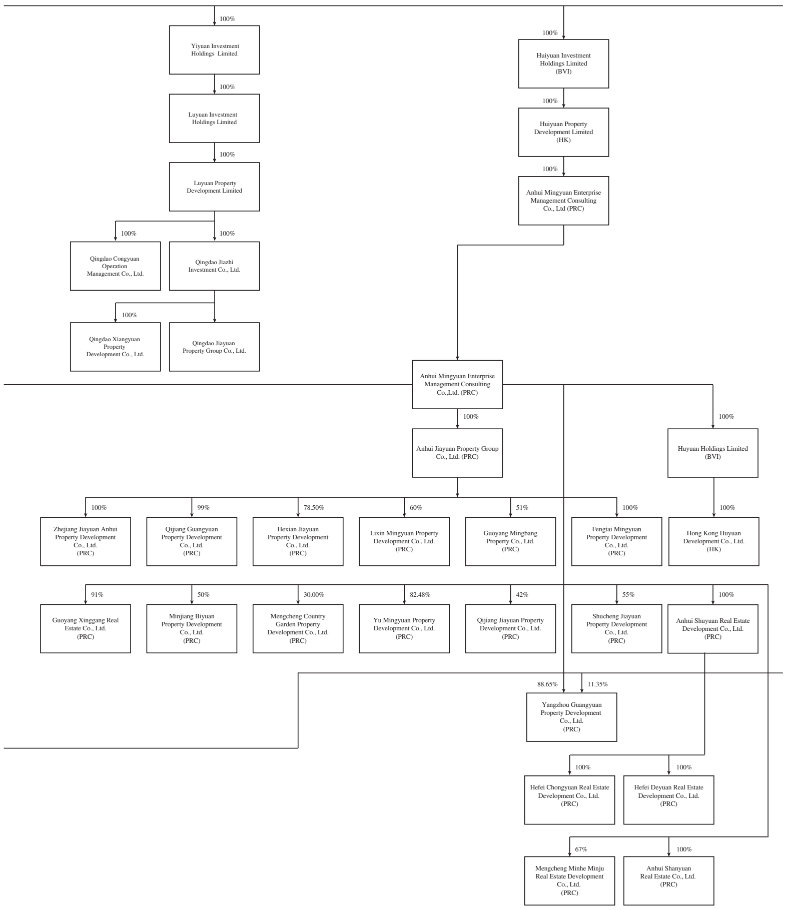




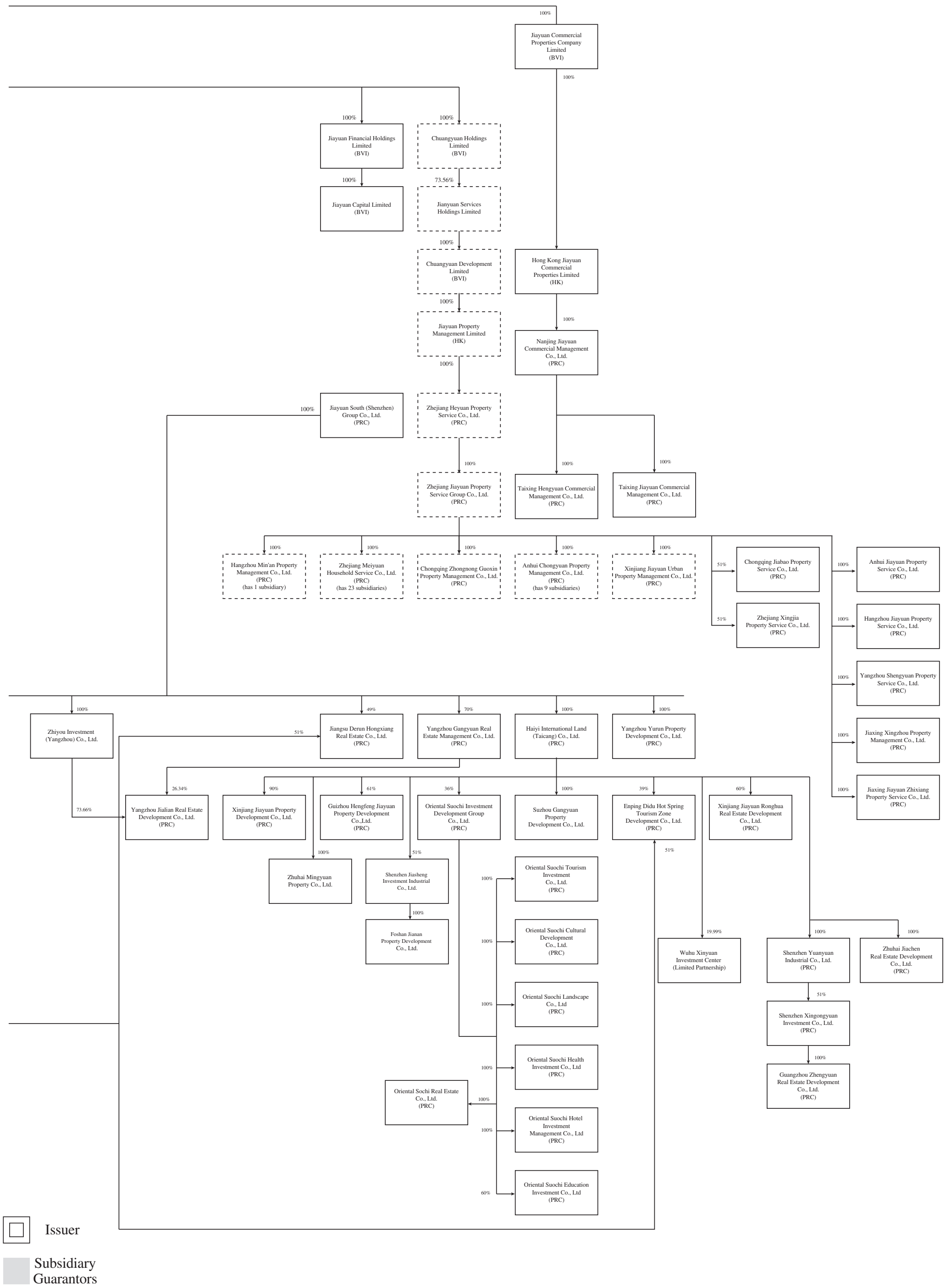
Shum Tin Ching
100%
Galaxy Emperor Limited (BVI)
100%
China Jiayuan Group Limited (HK)
100%
Mingyuan Group Investment Co., Ltd. (BVI)
73.46%
1.78%
Jiayuan International Group Limited (Cayman Islands)
25.07%
Public shareholding
100%
Jiayuan Investment Management Limited (BVI)
100%
Jiayuan (Hong Kong) Investment Limited
100%
Hong Kong Jia Yuan Holdings (HK)
100%
Jiayuan (Hong Kong) Holdings Limited (BVI)
70.10%
Jiayuan StanGroup Development Company Limited (BVI)
100%
Top Galaxy Limited (BVI)
100%
Sino Harbour Holdings Limited (HK)
100%
Pagson Development Limited (Virgin Islands, British)
100%
(104) West Dynasty Investments Limited (BVI)
100%
East Concept Group Limited (BVI)
100%
Excel Billion Corporation Limited (HK)
100%
Strategic Champ Holdings Limited (BVI)
100%
Wall Street 38 Limited (HK)
100%
(105) Queenston Investment Limited (HK)
40%
60%
Champ Success Development Limited (HK)
100%
Dawin Investment Limited (HK)
100%
Star Happy Limited (HK)
100%
Mega East Development Limited (HK)
100%
Great Time International Limited (HK)
100%
Healthy Longevity Limited (HK)
100%
Easytex Enterprises Limited (HK)
100%
Guizhou Gangyuan Property Development Co., Ltd.
100%
Yancheng Xiangyuan Real Estate Co., Ltd. (PRC)
65%
Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd. (PRC)
30%
Mega (Pingtan) Cultural Tourism Development Co., Ltd. (PRC)
100%
Yangzhou Xiyuan Building Materials Co., Ltd. (PRC)
100%
Ninggang Jiayuan Investment Consulting Group Co., Ltd. (previously known as Nanjing Gangyuan Investment Consulting Co., Ltd.) (PRC)
100%
Taixing Guangyuan Property Development Co., Ltd. (PRC)
100%
Taizhou Mingyuan Property Development Ltd. (PRC)
100%
Taizhou Jia Yuan Property Development Co., Ltd. (PRC)
100%
Anhui Songjia Property Development Co., Ltd.
100%
Hefei Chiyuan Property Development Co., Ltd.
100%
Anhui Cangyuan Property Development Co., Ltd.
33.33%
Shanghai Xinnuo Enterprise Management Center (Limited Partnership)
100%
Anhui Shaoyuan Property Development Co., Ltd.
100%
Hefei Zheyuan Property Development Co., Ltd.
30%
70%
Lu'an Xinhuaxin Real Estate Co., Ltd. (PRC)
Woyang Jiayuan Property Development Co., Ltd.
100%
Guoyang County Jiayuan Real Estate Development Co., Ltd. (PRC)
100%
Kaili Jiayuan Real Estate Development Co., Ltd. (PRC)
100%
Yangzhou Chongyuan Real Estate Development Co., Ltd. (PRC)
60%
Zhuhai Rongyuan Property Co., Ltd. (PRC)
16.07%
Changshu Aiyuan Real Estate Development Co., Ltd. (PRC)
100%
Anhui Yeyuan Property Development Co., Ltd.
100%
Changshu Rongyuan Property Development Co., Ltd.
100%
Nanjing Rongsheng Construction Consulting Co., Ltd. (PRC)
60%
Hefeng Nianyuan Engineering Management Service Co., Ltd.
100%
Hefeng Shuoyuan Property Development Co., Ltd.
60%
Nanjing Rongjia Shanju Construction Development Co., Ltd.



100%
Sydyuan Investment Limited (BVI)
100%
Best Hope Developments Limited
100%
Bright Ocean Ventures Limited
100%
Jiayuan (Macau) Holdings Limited (BVI)
100%
Jiayuan (Macau) Investment Limited (BVI)
100%
MJY Property Limited (Macau)
96%
4%
Xiangyuan Property Development Limited (Macau)
100%
Jiayuan (Cambodia) Holdings Limited (BVI)
100%
Jiayuan Property Development Limited (BVI)
100%
Hong Kong Guangyuan Mining Limited
50%
Gang Yuan (Cambodia) Development Co., Ltd. (Cambodia)
50.5%
Changzhou Dexin Jiayuan Real Estate Co., Ltd. (PRC)
100%
Yangzhou Haoyuan Real Estate Development Co., Ltd. (PRC)
86.7%
100%
Changzhou Jinyuan Property Development Co., Ltd. (PRC)
13.3%
Changzhou Ruiyuan Real Estate Co., Ltd. (PRC)
100%
Taixing Mingyuan Property Development Co., Ltd. (PRC)
100%
Yangzhou Haoyuan Real Estate Development Co., Ltd. (PRC)
100%
Yangzhou Boyuan Business Management Co., Ltd. (PRC)
100%
Yangzhou Guoyuan Property Co., Ltd. (PRC)
59%
Yangzhou Fengyuan Real Estate Development Co., Ltd. (PRC)
21%
Yangzhou Yurun Real Estate Development Co., Ltd. (PRC)
100%
Taixing Hengyuan Property Development Co., Ltd. (PRC)
90%
Suqian Jia Yuan Property Development Co., Ltd. (PRC)
100%
Siyang Fengyuan Property Development Co., Ltd. (PRC)
20%
Yangzhou Haoyuan Real Estate Development Co., Ltd. (PRC)
49%
Suqian Guoyuan Property Development Co., Ltd.
100%
Shenzhen Jiayuan Pengcheng Property Group Co., Ltd.
100%
Siyang Guoyuan Property Development Co., Ltd.
100%
Hengli Property Nantong Co., Ltd.
51%
Guiyang Jiagongying Enterprise Management Co., Ltd.
60%
Shenzhen Jiashengyuan Property Development Co., Ltd.
100%
Shenzhen Xiangyuan Industrial Co., Ltd.
50%
Zhuhai Hengqin New Area Jiayuan Lingqian Investment Co., Ltd.
Zhuhai Jiayuan Pengcheng Property Development Co., Ltd.
100%
Nantong Lishun Real Estate Co., Ltd.
100%
Guizhou Hengfeng Jiayuan Property Development Co., Ltd.
100%
Huizhou Jiachangyuan Property Development Co., Ltd.



100%
Yiyuan Investment Holdings Limited
100%
Luyuan Investment Holdings Limited
100%
Luyuan Property Development Limited
100%
Qingdao Congyuan Operation Management Co., Ltd.
100%
Qingdao Jiazhi Investment Co., Ltd.
100%
Qingdao Xiangyuan Property Development Co., Ltd.
Qingdao Jiayuan Property Group Co., Ltd.
100%
Huiyuan Investment Holdings Limited (BVI)
100%
Huiyuan Property Development Limited (HK)
100%
Anhui Mingyuan Enterprise Management Consulting Co., Ltd (PRC)
Anhui Mingyuan Enterprise Management Consulting Co.,Ltd. (PRC)
100%
Anhui Jiayuan Property Group Co., Ltd. (PRC)
100%
Huyuan Holdings Limited (BVI)
100%
Zhejiang Jiayuan Anhui Property Development Co., Ltd. (PRC)
99%
Qijiang Guangyuan Property Development Co., Ltd. (PRC)
78.50%
Hexian Jiayuan Property Development Co., Ltd. (PRC)
60%
Lixin Mingyuan Property Development Co., Ltd. (PRC)
51%
Guoyang Mingbang Property Co., Ltd. (PRC)
100%
Fengtai Mingyuan Property Development Co., Ltd. (PRC)
100%
Hong Kong Huyuan Development Co., Ltd. (HK)
91%
Guoyang Xinggang Real Estate Co., Ltd. (PRC)
50%
Minjiang Biyuan Property Development Co., Ltd. (PRC)
30.00%
Mengcheng Country Garden Property Development Co., Ltd. (PRC)
82.48%
Yu Mingyuan Property Development Co., Ltd. (PRC)
42%
Qijiang Jiayuan Property Development Co., Ltd. (PRC)
55%
Shucheng Jiayuan Property Development Co., Ltd. (PRC)
100%
Anhui Shuyuan Real Estate Development Co., Ltd. (PRC)
88.65%
11.35%
Yangzhou Guangyuan Property Development Co., Ltd. (PRC)
100%
Hefei Chongyuan Real Estate Development Co., Ltd. (PRC)
100%
Hefei Deyuan Real Estate Development Co., Ltd. (PRC)
67%
Mengcheng Minhe Minju Real Estate Development Co., Ltd. (PRC)
100%
Anhui Shanyuan Real Estate Co., Ltd. (PRC)



Jiayuan Commercial Properties Company Limited (BVI)
Jiayuan Financial Holdings Limited (BVI)
Chuangyuan Holdings Limited (BVI)
Jiayuan Capital Limited (BVI)
Jianyuan Services Holdings Limited
Chuangyuan Development Limited (BVI)
Hong Kong Jiayuan Commercial Properties Limited (HK)
Jiayuan Property Management Limited (HK)
Nanjing Jiayuan Commercial Management Co., Ltd. (PRC)
Jiayuan South (Shenzhen) Group Co., Ltd. (PRC)
Zhejiang Heyuan Property Service Co., Ltd. (PRC)
Zhejiang Jiayuan Property Service Group Co., Ltd. (PRC)
Taixing Hengyuan Commercial Management Co., Ltd. (PRC)
Taixing Jiayuan Commercial Management Co., Ltd. (PRC)
Hangzhou Min'an Property Management Co., Ltd. (PRC) (has 1 subsidiary)
Zhejiang Meiyuan Household Service Co., Ltd. (PRC) (has 23 subsidiaries)
Chongqing Zhongnong Guoxin Property Management Co., Ltd. (PRC)
Anhui Chongyuan Property Management Co., Ltd. (PRC) (has 9 subsidiaries)
Xinjiang Jiayuan Urban Property Management Co., Ltd. (PRC)
Chongqing Jiabao Property Service Co., Ltd. (PRC)
Zhejiang Xingjia Property Service Co., Ltd. (PRC)
Anhui Jiayuan Property Service Co., Ltd. (PRC)
Hangzhou Jiayuan Property Service Co., Ltd. (PRC)
Yangzhou Shengyuan Property Service Co., Ltd. (PRC)
Jiaxing Xingzhou Property Management Co., Ltd. (PRC)
Jiaxing Jiayuan Zhixiang Property Service Co., Ltd. (PRC)
Zhiyou Investment (Yangzhou) Co., Ltd.
Jiangsu Derun Hongxiang Real Estate Co., Ltd. (PRC)
Yangzhou Gangyuan Real Estate Management Co., Ltd. (PRC)
Haiyi International Land (Taicang) Co., Ltd. (PRC)
Yangzhou Yurun Property Development Co., Ltd. (PRC)
Yangzhou Jiulian Real Estate Development Co., Ltd. (PRC)
Xinjiang Jiayuan Property Development Co., Ltd. (PRC)
Guizhou Hengfeng Jiayuan Property Development Co., Ltd. (PRC)
Oriental Suochi Investment Development Group Co., Ltd. (PRC)
Suzhou Gangyuan Property Development Co., Ltd.
Enping Didu Hot Spring Tourism Zone Development Co., Ltd. (PRC)
Xinjiang Jiayuan Ronghua Real Estate Development Co., Ltd. (PRC)
Zhuhai Mingyuan Property Co., Ltd.
Shenzhen Jiasheng Investment Industrial Co., Ltd.
Foshan Jianan Property Development Co., Ltd.
Oriental Suochi Tourism Investment Co., Ltd. (PRC)
Oriental Suochi Cultural Development Co., Ltd. (PRC)
Oriental Suochi Landscape Co., Ltd (PRC)
Oriental Suochi Health Investment Co., Ltd (PRC)
Oriental Sochi Real Estate Co., Ltd. (PRC)
Oriental Suochi Hotel Investment Management Co., Ltd (PRC)
Oriental Suochi Education Investment Co., Ltd (PRC)
Wuhu Xinyuan Investment Center (Limited Partnership)
Shenzhen Yuanyuan Industrial Co., Ltd. (PRC)
Zhuhai Jiachen Real Estate Development Co., Ltd. (PRC)
Shenzhen Xingongyuan Investment Co., Ltd. (PRC)
Guangzhou Zhengyuan Real Estate Development Co., Ltd. (PRC)
Issuer
Subsidiary Guarantors

Overview

We are an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. Our main business operations include: (i) the development and sale of residential and commercial properties; (ii) the provision of development services; and (iii) property investment, which mainly consists of leasing commercial properties owned or developed by us.

Adhering to our sound and stable development strategies of "be delicate, be detailed oriented, offer good quality and maintain strong market position（做精、做細、做好、做強）", we had, as of December 31, 2020, a portfolio of 88 property development projects in various major cities or key towns in the PRC, comprising 42 residential complex projects, 45 integrated commercial complex projects and one commercial complex project. As of December 31, 2020, we had a land reserve of approximately 17.7 million sq.m. covering Yangtze River Delta Region, Anhui Province, city cluster in the Guangdong-Hong Kong-Macao Greater Bay Area, cities along the "Belt and Road" regions and other key provincial capital cities. Under our sound and stable development strategies, we will focus our development effort on: (i) residential properties in major cities such as Nanjing, Yangzhou and Shenzhen; and (ii) integrated commercial complexes in "key towns"（中心鎮）or towns which are under key development, such as Taizhou and Changzhou.

In response to the national policy of continuing urbanization and the call for city modernization emphasised by the Jiangsu Provincial Government, we envision that key towns will be developed into major economic and transportation hubs among neighbouring towns, facilitating the pull factors for urbanization. We expect that the economic development of key towns will also enrich the disposable income of the local residents, which, in turn, will attribute to a healthy demand for residential and commercial properties. We generally select key towns where the level of development of commercial infrastructure is relatively immature for the development of our integrated commercial complexes with a view to satisfying the demand for commercial properties in such key towns. We believe that the implementation of our sound and stable development strategies is imperative in maximizing our profitability and minimizing competition. We also plan to adhere to these sound and stable development strategies to expand our operations to develop residential complexes in cities with sizeable regional economies and populations such as Guangzhou and Shenzhen with a view to maximizing our return under the projected property demand in the PRC.

Our residential complexes and integrated commercial complexes have been or will be developed into mixed-use communal style complexes, which are designed to provide a high level of convenience and enjoyment to our customers. In this regard, we take pride in the following key values of our property development projects:

- *Education value*: we appreciate the importance of education to our customers who are parents. Hence, we aim to choose project sites which are located in a relatively established school network. Since our inception, we have participated in the construction of five schools including a nursery school which are located within our property development projects.

- *Leisure value*: we generally apportion a sizeable section of site area for the development of European-Chinese themed scenic gardens and squares featuring classical or neo-classical landmarks. These gardens and squares are designed not only for the leisure of our customers, but also for the provision of visual appeal to the owners of our products and potential customers. We believe that this also gives the owners of our products a sense of pride for owning our products.

- *Commercial value*: as our property development projects are planned to be developed into communal style complexes, we develop retail stores and shopping arcades in our residential properties to provide "one-stop" shopping experience to our customers and satisfy the daily needs of our residential customers and surrounding local residents. In order to achieve the above and maximize our profitability, we plan to retain control over central management of our shopping arcades which enables us to select tenants and their industry composition.

We believe that our quality property development projects are or will be well received in the locations in which we operate or plan to expand our operation.

On March 8, 2016, we completed our initial public offering with our shares listed on the Main Board of the Hong Kong Stock Exchange (the "Listing"). Since the Listing, we have become a constituent stock of benchmarking indices, including Hang Seng Composite Small Cap Index, MSCI China Small Cap Index, Hang Seng Stock Connect Hong Kong Index and Shenzhen-Hong Kong Stock Connect stock list. In addition, we became a constituent stock of the Hang Seng Composite Large Cup & Mid Cap Index on September 10, 2018.

Over the years, we have received numerous awards and accolades from government authorities, media organizations and unions of property developers in Jiangsu Province for the high quality of our property development projects. We believe that these awards represent an indication of the remarkable quality of our Group and our property development projects.

Competitive Strengths

We believe that the following competitive strengths contribute to our success in the property development market and distinguish us from our competitors:

A design, planning and quality control process that ensures quality of our products

We believe that our design, planning and quality control process ensures the quality of our products and enhances their appeal which is fundamental to our performance.

We believe that our design is innovative. Our innovation is exemplified by one of our key designs which aims to achieve a significant segregation of vehicles from pedestrians. This design aims to maximize surface leisure areas for our residents by diverting all incoming traffic to an extensive underground travelling area, which is accessible to all residential buildings and their respective car parks within the relevant complex.

We also strive to adopt and apply new technologies in our property development projects. In 2016, we partnered with WinSun Decoration Design Engineering, the Shanghai-based architectural firm focusing on 3-D printing, and we plan to apply 3-D printing technology for landscape gardening and outdoor products as part of our property projects. We believe 3-D printing technology would effectively reduce both time and costs for construction and enables us to provide customized designs. This technology is also expected to reduce the construction costs, pollution and waste.

We place great emphasis on the quality of our properties. We believe that, over the years, we have established a brand image that is associated with high standards of quality for our project. We aspire to maintain a high standard of quality for our properties at different stages of the development process and have put in place the following measures for maintaining our quality:

(i) In order to develop quality property complexes, we usually engage construction contractors that possess National Housing Construction General Contracting First Grade Qualification Certificate (國家房屋建築工程施工總承包一級資質認證) and satisfactory track record.

(ii) During the construction process of our property development projects, we and/or the third-party certified construction supervision companies we engage will conduct regular inspection with a view to ensuring that the quality of the relevant construction work is at par with our stipulated standard. Based on our development experience and expertise, we have put in place relevant guidelines setting out countermeasures for dealing with common discrepancies which are usually found in construction works. We believe that these guidelines expedite the inspection and rectification process without compromising the requisite quality.

(iii) Following the completion of the construction process, completion inspection will be conducted by our regional project company, as well as our headquarters before delivery of properties or, in respect of our shopping arcades, before commencement of business operation.

We believe that our design, planning and quality control procedures has helped us and will continue to help our future business development and performance.

An operation system that saves time and costs in the development of quality property projects

Our performance and financial stability is closely associated with our operational efficiency. We believe that due to our established operation system, we have generally been able to develop quality property projects in a timely and cost efficient manner. Our operation system governs, among other things: (i) our efficient execution; and (ii) the construction costs control requirements of our development process.

Efficient execution

We believe that our relatively efficient execution is, to a significant extent, attributable to our operating system which stipulates the acceptable time requirement for various types of construction work as well as our operation experience. Based on our experience in the property development industry, we have compiled our standardized design plans which set out details of the basic design requirements applicable to all of our property development projects. Accordingly, we are capable of adopting the standardized design plans and modifying the same according to the needs of the relevant property development project in a relatively efficient manner. For example, we developed four high-rise apartments and four retail stores for Elite International Garden constituting an aggregate GFA of approximately 97,790 sq.m. in a span of approximately 26 months. Moreover, we generally acquire project land through government organized public auctions and listing-for-sale process, or by acquiring equity interest in companies that own the project land. As of December 31, 2020, we had land reserves of approximately 17.7 million sq.m. in terms of GFA attributable to us. We believe that our land reserves are sufficient for our operations for the next three years.

Construction costs control

Due to our established operation system, we are usually capable of effectively controlling the construction costs required for developing the property development project. We control our development costs at various stages of our development process.

Prior to the commencement of construction work, we usually select our construction contractors through a public tender process. Under such selection process, we assess each candidate under a set of criteria, which includes construction costs. Such construction costs are typically inclusive of the costs of major raw materials to be procured by the construction contractor, such as steel and cement, for the construction works. Where we are responsible for acquiring certain raw materials, it is our policy to seek quotations from potential suppliers with a view to acquiring such raw materials at relatively low costs. Further, we have established measures for controlling construction costs to be incurred during site formation works, landscaping, piling formation works, erection of lateral support for excavation works (including dewatering work), foundation treatment as well as erection of curtain walls.

The established "Jia Yuan" brand and reputation well recognized in Jiangsu Province

We have been operating in Jiangsu Province since our inception in 2003. Over the years, we have a track record of developing award-winning properties in Jiangsu Province. For instance, our Suqian Park Number One, a residential complex project, was awarded as Innovative Real Estate in Jiangsu Province of 2012（2012年度江蘇省創新樓盤）by Jiangsu Real Estate Association, for, among other things, the exceptional conceptual and design innovation of this project.

We believe that we have successfully fostered our "Jia Yuan" brand and established ourselves as a proficient property developer. As a testament of our success in this regard, we received the award as a Pioneer Enterprise of Small Town Development (小城市建設先進個體) by the Management Committee of Jiangyan Qinhu Scenic Spot (薑堰市溱湖風景區管理委員會) in January 2012. We were also recognised as a Pioneer Enterprise in Property and Economic Development of 2011 (2011年度建築經濟、房地產開發工作先進單) by the Jiangyan City Government in March 2012.

In 2016, we won several industry awards in Hong Kong and mainland China, including the Hong Kong Outstanding Enterprises Award 2016 (2016年香港杰出企業) granted by Economic Digest and the Excellence of China Real Estate Award (卓越中國房地產品牌) granted by Metro Daily and Metro Prosperity. Our wholly-owned subsidiary, Nanjing Xinhaoning, also won the 2016 Outstanding Real Estate Brand (2016年度優秀企業) in China granted by the provincial government of Xuanwu District, Nanjing City. Our wholly-owned subsidiary, Taixing Hengyuan, won the 2016 Annual Urban Construction Tax Contribution Award (2016年度城市建設納稅貢獻) in China, granted by the provincial government of Huangqiao, Taixing City. Our wholly-owned subsidiary, Hengli Property Nantong Co., Ltd (恒力房地產南通有限公司), also won the 2016 Tongcheng Annual Hot Real Estate (通城2016年度熱銷樓盤) in Nantong and the 2017 Nantong Potential Real Estate (2017年南通潛力樓盤) in China granted by TencentQQ.com. Our wholly-owned project, Zhenjiang Jiayuan Paris Metropolis (鎮江佳源巴黎都市), won the 2017 Jiangsu Province Construction and Construction Standardization Star Site (2017年江蘇省建設施工標準化星級工地) granted by Jiangsu Provincial Department of Housing and Urban-Rural Development.

We believe that these awards and accolades are imperative for enhancing our brand recognition and customers' loyalty as we expand.

A stable and experienced management team and organizational structure that promote operational efficiency

We have an experienced and stable management team with diverse background and substantial expertise in the property development industry. Our Chairman and non-executive director, Mr. Shum Tin Ching, has approximately 22 years of experience in the property development industry in the PRC. Other members of our senior executive management team also have strong background with relevant experience within the industry generally ranging from approximately 10 to 25 years. We are therefore well-positioned to benefit from the expertise, experience and network of our senior management when we conduct our business.

In order to retain talent, we offer vocational training to our employees with a view to improving their performance. We believe the remuneration packages offered to our employees are competitive in the markets in which we operate.

We have adopted a two-tiered management and organizational structure with our headquarters as the first tier and regional project companies as the second tier. Each tier of management is vested with separate duties and responsibilities. We believe that the clear delineation of roles and functions contributes to our operational efficiency. Please see "– Our management and organizational structure".

We believe that our management team as well as our management and organization structure have significantly contributed to our success and will continue to be critical to our future growth.

Business Strategies

We aim to become one of the leading property developers in the PRC. We plan to achieve this target through adopting and implementing the following strategies:

Expand our operations in Jiangsu Province and other parts of China

Adhering to our sound and stable development strategies of "be delicate, be detailed oriented, offer good quality and maintain strong market position"

Leveraging our reputation and experience in developing residential complex projects and integrated commercial complex projects, we intend to expand our operations in Jiangsu Province and other parts of China outside Jiangsu Province in which we currently do not have a presence. In this regard, we intend to adhere to our sound and stable development strategies of "be delicate, be detailed oriented, offer good quality and maintain strong market position (做精、做細、做好、做強)". Under this strategy, we aim to concentrate our development effort on: (a) residential complexes in major cities with relatively large population size, high GDP per capita, established transportation system and infrastructure and (b) integrated commercial complexes in prime locations of selected key towns where the level of development of commercial infrastructure is relatively immature. We aim to select key towns that have a population size of approximately 50,000 to 100,000 and established transportation system, where the developing local economies contribute to the local residents' increasing disposable income, facilitating a healthy demand for commercial and residential properties.

Expansion plans in Jiangsu Province

According to the Jiangsu Statistics Bureau, Jiangsu Province's GDP increased steadily from RMB6,508.8 billion in 2014 to RMB9,259.5 billion in 2018 at a CAGR of 9.2%. To leverage Jiangsu Province's strong GDP growth, we plan to deploy our resources to property development markets in "key towns" (中心鎮) or towns which are under key development in Jiangsu Province, in response to various policies that requires, among other things, accelerating city modernization, enhancing competitiveness at the city level and improving living conditions. We envision that these policies will help key towns develop into major economic and transportation hubs among neighbouring towns, facilitating the pull factors for urbanization. We also expect that the economic development in such key towns will also contribute to an increase in the local residents' disposable income, which will facilitate a healthy demand for commercial and residential properties. We believe that an early investment in these key towns as one of the pioneers will be supported by the relevant local government and will be financially rewarding. We have started the construction works on eight integrated commercial complex projects in Nanjing City (南京市), Guxi town (古溪鎮) urban area of Taixing City, Yangzhou City (揚州市) and Xueyan town (雪堰鎮) in Changzhou and Taizhou (泰州).

Expansion plans in other parts of China outside Jiangsu Province

In respect of our expansion plans in other parts of China outside Jiangsu Province, we will continue to develop our presence in first- and second-tier cities in other provinces in China that exhibit strong demand for mid- to high-end real estate. We have acquired land parcels in Shenzhen, Macau and Guiyang in 2017 and 2018. We have acquired land parcels in Anhui in 2019. Going forward, we plan to further expand into (i) provincial capital cities such as Guangzhou, Fuzhou, Wuhan, Changsha, Nanchang, Nanning and Jinan; (ii) prefectural level cities such as Zhuhai and Shantou; (iii) state-plan designated cities such as Xiamen, Dalian and Shenzhen; and (iv) municipalities and special administrative regions such as Chongqing, Hainan and Macau. We believe that the population size and GDP level of these cities tend to support strong demand for residential and commercial space. We intend to acquire project land in these cities either by participating in public auction and listing-for-sale process or by acquisition of equity interest of companies that own the relevant project land in these cities.

We plan to replicate our standardized design plans (either with or without modification) in areas which we intend to expand in order to swiftly seize any business opportunity that may arise.

Enhance the recognition of "Jia Yuan" brand

We believe that we have successfully established our presence in locations in which we operate. In order to cope with our expansion strategies, we plan to continue to enhance our brand recognition. We intend to achieve this by developing new innovative project designs or refining existing project designs with a view to attracting target customers of varying architectural taste. For instance, while we had been developing European themed complexes, we commenced the development of our Zijin Mansion in 2014, which comprises a classical Chinese themed residential complex project.

We appreciate the close association of our "Jia Yuan" brand and the quality of our products. In order to maintain our brand image, we will continue to promote our key values, namely the education value, leisure value and commercial value in the development process of our property development projects. In achieving this, we plan to: (i) continue to develop schools within our property development projects or otherwise select project sites which are located in established school networks; (ii) persist in the development of quality and sizeable gardens and squares to enhance the general appeal of our property development projects; and (iii) enhance the commercial value of our commercial properties through retaining control over central management of our commercial properties in shopping arcades.

Further, it is our plan to promote our "Jia Yuan" brand by organizing, sponsoring and participating in press conferences and exhibitions in addition to our usual marketing means through media and billboard advertisements.

Recruit, retain and train talented employees

We recognise the importance of retaining a team of highly skilled and motivated workforce for our expansion plans and growth in the long term. We intend to attract new talents across various industry and profession with local knowledge and know-how by offering competitive performance-based remuneration package. We will also continue to offer relevant vocational training and vertical promotion opportunities to identified talents within our organization for their long term development and growth with us.

Recent Developments

Acquisition of Luyuan Investment Holdings Limited Involving the Issue of Convertible Bonds

On January 13, 2021, we entered into a Sale and Purchase Agreement with Mr. Shum, pursuant to which, we have agreed to acquire, and Mr. Shum has agreed to sell the entire issued share capital in Luyuan Investment Holdings Limited ("Luyuan Investment") at a consideration of HK$7,247,560,000, which will be settled by (i) issue of Convertible Bonds; (ii) by way of issue and allotment of shares and (iii) the remaining balance by cash. On February 25, 2021, we entered into a supplemental agreement with Mr. Shum to make certain amendments in the Sale and Purchase Agreement dated January 13, 2021. On June 30, 2021, completion took place and Luyuan Investment Holdings Limited has become our indirect wholly-owned subsidiary.

Issuance of the May 2021 Notes

On May 17, 2021, we issued the May 2021 Notes in the aggregate principal amount of US$130,000,000. The May 2021 Notes bear interest at 11.0%. The May 2021 Notes will mature on February 17, 2024.

Issuance of the January 2021 Notes

On January 21, 2021, we issued the January 2021 Notes in the aggregate principal amount of US$300,000,000. The January 2021 Notes bear interest at 12.5%. The January 2021 Notes will mature on July 21, 2023.

Repurchase of March 2022 Notes

On February 5, 2021, we repurchased the March 2022 Notes in an aggregate principal amount of US$55,755,000. On March 11, 2021, we further repurchased the March 2022 Notes in an aggregate principal amount of US$61,538,000 following the exercise of a put option pursuant to the terms of the March 2022 Notes.

COVID-19 Pandemic

Since early March 2020, the outbreak of COVID-19, a highly infectious novel coronavirus initially detected toward the end of 2019, has started a pandemic. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. 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. As the COVID-19 outbreak has stabilized in the PRC, we have resumed our normal operation. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors – Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic."

Our Business Model

We are an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. We typically aim to sell all of the residential properties and commercial properties in our residential complexes, which do not have shopping arcades. In contrast, our integrated commercial complex projects have shopping arcades and a mix of restaurants, retail outlets and other facilities. Typically, we plan to retain control over the central management of our shopping arcades so that we can select our tenants and determine their industry mix. For our integrated commercial complexes, we aim to: (i) sell all of the residential properties and 50% of the commercial properties; and (ii) retain ownership of 50% of the commercial properties for investment purposes.

Our main business operations include: (i) the development and sale of residential and commercial properties; (ii) the provision of development services to government organizations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (iii) property investment, which mainly consists of leasing commercial properties owned or developed by us. While we generate revenue from all of these business segments, and despite any revenue mix or any impact such revenue mix may have on our results of operations, development and sale of property and lease of property will remain as the primary arms of our business focus. We will proactively seek and seize opportunities under appropriate market conditions for new development project initiation to facilitate our property sale and lease, whereas we expect our business operations of provision of development services will be relatively passive and will hinge primarily upon government schedule. The properties we developed are quality real estates which usually adopt classical or neo-classical architectural style under a spectrum of European – Chinese theme located in Jiangsu Province, namely Changzhou, Yangzhou, Taizhou and Suqian; and in Nanjing, the provincial city of Jiangsu Province. Our main target customers are generally individuals or families who seek to purchase residential properties that fall within the middle-to-high price range (i.e. customers who seek to purchase residential properties which fall within or which is higher than the market average selling price of residential properties in the locations in Jiangsu Province in which we operate).

Our Business

Overview of our property development projects

We generally develop a mixture of residential and commercial properties under both our residential complex projects and integrated commercial complex projects. Our residential properties include low-rise, multi-storey, mid-rise and high-rise apartments and townhouses. Our commercial properties include, predominantly, shopping arcades, retail stores in commercial pedestrian streets (商業步行街), office properties and car parks. Our residential complexes do not usually have a shopping arcade. Instead, we usually develop commercial pedestrian streets within a residential complex comprising retail stores to cater for the daily needs of our residents. In contrast, each of our integrated commercial complexes is planned to be developed with a shopping arcade that will be housed with a mixture of restaurants, supermarkets, home appliance outlets, cinemas, entertainment facilities, fashion outlets and other retail outlets that sell a variety of merchandise. Each of our shopping arcades is designed to serve the function of a 'one-stop-shop' within our integrated commercial complexes. In order to effectively achieve the above, we plan to retain control over central management of our shopping arcades which gives us autonomy in selecting tenants and their industry composition.

It is our business strategy to: (i) sell all of our residential properties developed under residential complex projects and integrated commercial complex projects; (ii) sell all of our commercial properties developed under residential complex projects; and (iii) retain the ownership of approximately 50% of the commercial properties developed in our integrated commercial complex projects for property investment purpose and sell the remainder of the commercial properties to our customers.

Classification of property development projects

We set out below our classification of properties and the classification of properties adopted by the reporting accountants in the accountants' report:

Our classification	**Reporting accountants**
• Completed properties – we have received completion certificates from the relevant government authorities for these properties	• Properties held for sale • Investment properties
• Properties under development – we have received construction work commencement permits required for these properties, but not the completion certificate	• Properties under development
• Properties held for future development – we have (i) received the land use rights certificate(s); or (ii) signed the relevant land grant contract with the relevant government authorities	• Properties under development

Classification of residential properties

We categorize our residential properties as follows:

- Low-rise apartments(低層住宅) – residential buildings that typically have two to three storeys;
- Multi-storey apartments(多層住宅) – residential buildings that typically have four to six storeys;
- Mid-rise apartments(小高層住宅) – residential buildings that typically have seven to nine storeys;
- High-rise apartments(高層住宅) – residential buildings that typically have 10 storeys or more;
- Townhouses(聯排房屋) – residential houses that are connected to each other and each such house typically has three to four storeys.

Our apartments are constructed with a variety of room types which are designed to suit the different needs of our target customers. We set out below our key apartment types and the intended customers for which they are designed:

Key apartment types	Intended customers	No of bedrooms
Studio apartments	married, unmarried or bachelor customers	Not more than one
Mid-size apartments.	married or unmarried couples with or without families	Two to four
Multi-room apartments	cross-generation families	Five to eight

Site area and GFA

The site area information set out in this offering circular is disclosed on the following basis:

(i) for project land for which we have obtained land use rights certificates, the site area of a property development project or project phase refers to the aggregate site area in such land use rights certificates;

(ii) for project land for which we have not obtained land use rights certificates, the site area of a property development project or project phase refers to the aggregate site area recorded in the relevant land grant contracts.

The GFA information in this offering circular is disclosed on the following basis:

(i) total GFA of a property development project or project phase which has been completed or is under development comprises saleable GFA and non-saleable GFA. Non-saleable GFA refers to ancillary facilities that cannot be sold under PRC laws and regulations. Saleable/rentable GFA of a completed property development project or project phase disclosed in this offering circular generally refers to the internal floor area of our residential properties and commercial properties, which have been allocated with shared floor area. Saleable/rentable GFA of a property development project or project phase comprises saleable GFA remaining unsold, saleable GFA sold and rentable GFA held for property investment for a completed property development project or project phase and saleable/rentable GFA of a property development project under development;

(ii) total completed GFA information is based on surveying reports. Where the surveying reports are not available, such information is extracted from the completion certificates;

(iii) saleable/rentable GFA information which includes saleable GFA remaining unsold and rentable GFA held for property investment of a completed property project or project phase, is based on the relevant surveying reports;

(iv) the GFA sold of a completed property development project or project phase is based on executed sale contracts or pre-sale contracts;

(v) total GFA under development of a property development project is based on the relevant construction work planning permits;

(vi) saleable/rentable GFA information of a property development project under development is based on the relevant pre-sale permits or construction work planning permits if the pre-sale permits are not available or applicable;

(vii) information on saleable GFA pre-sold of a property development project under development is based on executed pre-sale contracts;

(viii) GFA information on properties held for future development is based on: (a) the relevant construction work planning permits or, if the construction work planning permits are not available, the relevant land use rights certificates for planned GFA; or (b) the relevant land grant contract and our internal records and estimates, which may be subject to change, if we have not obtained the relevant land use rights certificates for the relevant project land.

The names of our property development projects disclosed in this offering circular are those which have been or intended to be adopted by us as the actual names of our projects. Some of the names of our property development projects may be different from those registered with government authorities The English names of our property development projects are for reference only.

Portfolio of our Property Development Projects

The table below is a summary of our land reserves by cities as of December 31, 2020.

	Total GFA	Percentage
	(sq.m.)	
Hefei	1,566,267	8.9%
Shanghai	170,944	1.0%
Nanjing	757,408	4.3%
Yangzhou	1,284,568	7.3%
Taizhou	1,506,404	8.5%
Suqian	1,348,112	7.6%
Bozhou	1,115,593	6.3%
Suzhou/Changzhou/Nantong/Zhenjiang/Yancheng	1,223,241	6.9%
Bengbu/Huainan/Ma'anshan/Lu'an	1,154,543	6.6%
Yangtze River Delta Region subtotal	**10,127,080**	**57.4%**
Shenzhen	310,544	1.8%
Guangzhou	177,850	1.0%
Hong Kong	48,787	0.3%
Macao	60,969	0.3%
Enping	1,180,000	6.7%
Zhuhai/Huizhou	851,688	4.8%
Guangdong – Hong Kong – Macao Greater Bay Area subtotal	**2,629,838**	**14.9%**
Zhengzhou	455,163	2.6%
Urumqi	1,948,426	11.0%
Guizhou	1,098,631	6.2%
Hainan	85,910	0.5%
Cambodia	1,308,092	7.4%
Other cities subtotal	**4,896,222**	**27.7%**
Total	**17,653,140**	**100.0%**

Development Services

We provide development services to government organizations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure in return for a development services fee. With respect to these development services projects, we are typically responsible for liaising with the construction contractors for the construction of the relevant development project. Occasionally, we are also responsible for liaising with third party design companies to provide planning and design services for the relevant development services projects.

We usually sub-contract all construction works relating to our development services to construction contractors as we do not possess construction capabilities. These construction contractors include construction companies and landscape greening companies. All contractors engaged by us for our development services projects were independent third parties and they generally have had a business relationship with us ranging from three to nine years. We usually conduct an open tender process to select our construction contractors for the construction of resettlement properties. In contrast, we may engage a particular construction contractor directly for the development or refurbishment of other types of properties, facilities or infrastructure required by our customer following a fee quotation process.

Irrespective of the type of properties required of us under the provision of our development services, we generally sub-contract the construction work by entering into a project-based construction contract with the relevant construction contractor, which has the following salient terms:

(i) Duration: the construction contract will stipulate the construction period required of the construction contractor, which varies depending on the complexity of the development project.

(ii) Responsibility of parties: subject to the type of construction required, the construction contract generally stipulates the scope of work of the relevant construction contractor, which typically includes engineering works, primary structural works, installation works and general construction works. The construction contract usually stipulates the applicable quality standard required of the construction contractor.

(iii) Raw material procurement: the construction contract usually stipulates that the construction contractor is responsible for procuring all raw materials required for the development services project save for those that we have specifically agreed to procure.

(iv) Construction fee: the amount of construction fee payable to the construction contractor will be incorporated into the construction contract. We usually determine the construction fee with reference to the complexity of the relevant development services project. The construction fee is generally payable according to the stage of construction.

(v) Termination: the parties are entitled to terminate the construction contract by mutual agreement. In addition, (a) we are entitled to terminate the contract if the construction contractor sub-contracts all or any part of the construction work to a third party without our consent; and (b) the construction contractor is entitled to terminate the construction contract if there is a material delay on our part in paying the construction fee in accordance with the terms of the contract.

Where our scope of work includes the planning and design of the relevant project, we will coordinate with the design companies to provide such service. In this regard, we usually engage a third party design company to provide design service. We generally enter into ad hoc design contracts with the relevant design companies. The key terms of such design contracts usually include, among other things, the scope of design service required, time, quality standard requirements, service fee and payment schedule.

Our participation in resettlement projects is limited to the development of resettlement properties. Save for developing resettlement properties on vacated land, we were not otherwise involved in the land vacating process. We did not at any time enter into any contract or other compensation arrangement with any affected residents who were the subjects of the resettlement.

We enter into service contracts with our customers for the development services we provide. Set out below are the key terms of a typical service contract:

(i) Duration: the service contract will stipulate the construction period or the completion time for the relevant refurbishment works required of us, which varies depending on the complexity of the development services required.

(ii) Responsibility of the parties: subject to the development services required, the service contract generally stipulates the scope of work to be provided by us, which typically includes engineering works, primary structural works, installation works, general construction works, road or road improvement works, exterior wall, window and door refurbishment works, landscaping and greening work, and drainage works. The service contract usually stipulates the applicable quality standard required of us.

(iii) Raw material procurement: the service contract will stipulate that either the government organization or we would be responsible for the costs for procuring raw materials.

(iv) Development service fee: the amount of estimated development fee payable to us is incorporated in the service contract, subject to final adjudication by the government. We usually determine the development fee with reference to the complexity of the development service required and government guidance price for the relevant works required of us. The development fee is generally payable according to the stage of construction or development service provided.

(v) Termination: the service contract does not necessarily include a termination clause. Occasionally, a service contract will provide for termination by mutual agreement in writing.

Property Investment

Our investment properties consist of certain self-developed commercial properties that we hold to generate rental income. As of December 31, 2020, our investment properties (excluding car parks) had a total GFA of approximately 887,878 sq.m. For the years ended December 31, 2018, 2019 and 2020, our investment properties (excluding car parks) generated rental income of approximately RMB77.0 million (restated), RMB210.9 million and RMB254.2 million (US$39.0 million), respectively.

We set out in our policy selection criteria for choosing tenants, such as: (i) its financial viability; (ii) the type of business engaged by the proposed tenant, where applicable, its brand name and reputation, and its compatibility with our development plan; (iii) the proposed business development plan of the tenant. As part of our communal and resident-oriented planning, our tenants include restaurants, supermarket operators, cinemas, fashion brands and home appliance retailers.

We engage an agent, which is an independent third party, to enter into lease agreements with our tenants. The agent is primarily responsible for, subject to our supervision, devising marketing strategies for our lease operations, soliciting reputable tenants, and collecting rent and other fees payable by our tenants for and on our behalf. We leverage the agent's knowledge and expertise in the leasing market and network in Jiangsu Province and engaged the agent in 2008 at the inception of our lease operation when we lacked such experience and expertise. Since then, we have continued to engage that agent on a project-by-project basis.

Since 2008, we believe we have acquired sufficient market knowledge and presence in the Jiangsu rental market. Accordingly, we will take active management of our lease operation, which is in consonance with our development strategy to retain control over the central management of our shopping arcades with a view to selecting reputable tenants and determining industry composition. For this purpose, we have established Jiayuan Commercial Properties (HK), Chongyuan Business Management, Hengyuan Business Management, Taixing Business Management, Yangzhou Business Management, Mingyuan Business Management and Jinyuan Business Management whose principal business activities will include the management of our lease operation.

Our typical lease agreement usually includes the following material terms: (i) the user of the relevant commercial properties, (ii) the term of the lease ranging from two to 15 years (with or without option to renew); (iii) the rent, which is usually payable to us in advance; (iv) applicable rent-free period (which generally ranges from one to two years) at the beginning of the lease; (v) payment schedule of the rent; and (vi) certain restrictions on the usage of the commercial property such as restrictions on interior design, lighting, and business operation. The provision of rent-free periods effectively reduces the rent payable by the relevant tenant during the term of the lease. We gave relatively long rent-free periods primarily to attract potential tenants. We will review the terms and conditions of the lease from time to time having regard to factors such as the prevailing local rental market conditions and the popularity of our commercial properties in the relevant location. During the years ended December 31, 2018, 2019 and 2020, we did not experience any early termination of our lease agreements within or shortly after the end of the relevant rent-free periods resulting in an impairment loss of rent receivables from our tenants.

We usually determine our rent with reference to the prevailing market conditions. The rent is usually a fixed monthly rate payable by the tenant in advance. In addition, we generally require our tenants to pay a fixed sum as security deposit. Our tenants will bear the utility charges and property management fees. If our tenants breach the relevant lease agreements, we are entitled to deduct or retain security deposits or terminate the relevant lease agreements and take the relevant properties into our possession.

Civil Air Defence Car Parks and Non-Civil Air Defence Car Parks

Civil air defence car parks

We used certain part of the civil air defence facilities as car parks during time of peace. Due to our accounting treatment, our CAD Car Parks are not classified as properties under development or held for sale, investment properties or property, plant and equipment. Accordingly, our CAD Car Parks do not have carrying value.

During the years ended December 31, 2018, 2019 and 2020, we entered into agreements to transfer or lease the right to use CAD Car Parks to our customers. We intend to continue these transfers in the future.

Under the CAD Laws, we are allowed to manage and use the civil air defence facilities we develop during peacetime for profit. As of the date of this offering circular, we had transferred and/or leased the right to use CAD Car Parks constructed in certain property development projects. We have obtained CAD Utilization Permits or written and oral confirmation in respect to our transfer and/or lease of the right to use CAD Car Parks from relevant governmental authorities for these projects. Please see "Risk factors – Risks relating to our business – We may be required to provide refunds to our customers or be subject to adverse legal consequences if we fail to obtain the relevant CAD Utilization Permits or otherwise maintain the validity of the CAD Utilization Permits or government confirmations which have been granted or provided to us" for further details.

Save for the above transfer and/or lease of the right to use the CAD Car Parks, we have not transferred and/or leased other CAD Car Parks developed, under development or planned to be developed by us as of the date of this offering circular. Accordingly, as of the date of this offering circular, we were not in breach of any applicable CAD laws and regulations with respect to those CAD Car Parks that we did not transfer or lease the usage right. Further, there was no dispute between ourselves and our customers regarding the lease or transfer of the rights to use such CAD Car Parks as of the date of this offering circular.

Please see "Risk factors – Risks relating to our business – We may be required to provide refunds to our customers or be subject to adverse legal consequences if we fail to obtain the relevant CAD Utilisation Permits or otherwise maintain the validity of the CAD Utilisation Permits or government confirmations which have been granted or provided to us" for further details.

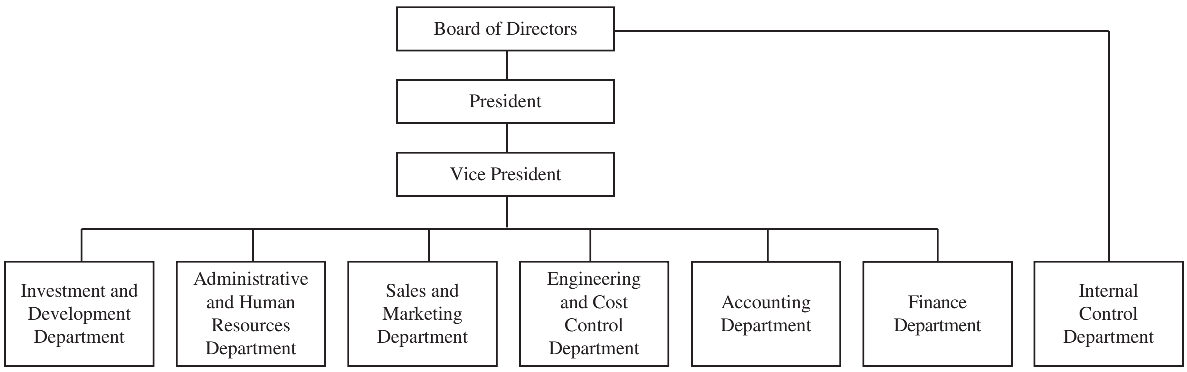
Non-civil air defence car parks

During the years ended December 31, 2018, 2019 and 2020, we entered into agreements to lease the right to use non-civil air defence car parks. Save as disclosed in this offering circular, we have obtained all the construction works planning permits and construction works commencement permits for the non-civil air defence car parks. Pursuant to the Interpretation of the Supreme Peoples' Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋), the lease contracts with respect to those construction works sites which have not obtained construction works planning permits or have not been built in compliance with the construction works planning permits shall be invalid. However, such lease contracts shall be deemed by the People's Court to be valid if the construction planning permit has been obtained or if the construction has been approved by the competent authority before the closing of trial in the court of first instance.

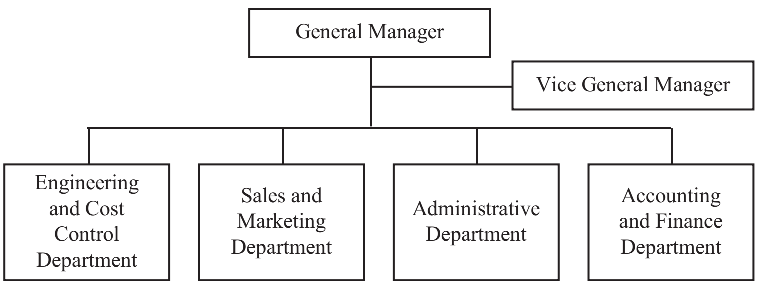
Our Management and Organizational Structure

The following chart demonstrates our management and organizational structure as of December 31, 2020:

(i) Headquarters



(ii) Project Companies



We have adopted a two-tier management and organizational structure with our headquarters as the first tier and regional project companies as the second tier. We believe that our operational efficiency is mainly attributable to the demarcation of roles and functions between our headquarters and regional project companies. Our headquarters is generally responsible for, among other things, making strategic decisions, formulating business development plans and policies for our Group, overseeing project development progress, establishing sales target and carrying out monitory and supervisory functions. Our regional project companies are committed to implementing the policies formulated by our headquarters, and are responsible for carrying out our daily operations such as executing project development plans, monitoring construction schedule, carrying out quality control inspections, executing sales and lease operations. With respect to property development project management, each of our project managers from the relevant regional project company will be responsible for the overall development progress of a particular property development project. A project manager is usually assisted by a team of personnel comprising a project engineering manager, a project design manager, a project cost control manager and other assistants.

We have established a systematic reporting, internal approval and communication channel which aims to facilitate a constructive flow of directives and swift transmission of information. Our regional project companies report to our headquarters regularly. We believe that an effective communication channel contributes to our operational efficiency which allows us to gauge business opportunities and to react speedily in the dynamic property market.

Our Key Property Development Process

Site selection

We undertake a critical site selection process which requires the cooperation between our headquarters and regional project companies. The process involves: (i) setting annual development strategy; (ii) collecting and conducting analysis of site, demographic, economic and other relevant data, identification of potential project sites; (iii) conducting feasibility studies by ourselves or third parties we engage and (iv) reviewing assessment and recommendation by site selection committee and determination by our headquarters.

Based on the project type, our strategic investment department will identify available land plots and collect relevant data with a view to allow our senior management to make informed decisions. We will then analyse the data ourselves or commission a professional advisor to conduct a feasibility study for the potential property development project and perform multi-faceted assessment on the prospect, profitability, and financial and operational feasibility of the potential property development project. Based on the above, our headquarters will then make a determination on the project site.

We usually consider the following major criteria in determining the relevant city and site for our property development, including: (i) geographical size of the relevant city and district or county, (ii) size of population and its composition, (iii) GDP of the relevant city and per capita, and growth rate; (iv) government zoning and development policies; (v) accessibility, transportation, and infrastructural development; and (vi) historical and projected condition of the local property market.

Under this selection process and adhering to our sound and stable development strategies of "be delicate, be detailed oriented, offer good quality and maintain strong market position", our residential complex projects are situated at locations which we consider to be of moderate to high economic growth potential supported by readily available infrastructure, public facilities and amenities, and transportation system. In contrast, our integrated commercial complex projects are located in key towns which are expected to be developed into major economic and transportation hubs among neighbouring towns, the level of development of commercial infrastructure of which is relatively immature. We believe that our profitability can be optimized under this approach.

We appreciate the importance of education to our target customers who are parents. In order to establish a niche for our property development projects in this regard, we aim to choose a project site which is located in an established school network or participate in the construction of government schools which are located adjacent to or within our property development projects. Since our inception, we have been participating in the development of five schools. As a socially responsible corporate entity, we plan to continue our participation in school construction for our customers and the community at large. Further, we believe that the appeal and perceived value of our property projects that are located within an established school network can be immensely increased.

Land acquisition

We usually acquire land in (i) the primary market through bidding in public auction, listing-for- sale process in compliance with the 2007 Regulations implemented by the MLR on May 9, 2002 and revised on September 28, 2007 (the "2007 Regulations"), which took effect on November 1, 2007; or (ii) in the secondary market through an acquisition of equity or shareholding interest in a company which holds the relevant project land.

We acquired a part of our project lands in the primary market through bidding in public auction, listing-for-sale process in accordance with the 2007 Regulations. Under the 2007 Regulations, a land parcel which is to be used for, among other things, commercial or commodity residential purposes or where there are two or more intended users for the land parcel, must be granted through tender, auction, or listing-for-sale process. As a successful bidder of our project lands, we entered into land grant contracts with the relevant government authorities for all our projects as of December 31, 2020. Please see "Regulatory Overview" and "– Details of our property development projects" for further details.

We may from time to time issue debt or equity securities, or a combination thereof, to finance our acquisitions or investments or for general corporate purposes. On October 22, 2018, we issued our US$225 million 12.00% senior secured notes due 2020. On November 9, 2018, we issued our US$70 million 12.00% senior secured notes due 2020 (which was consolidated with and formed a single series with the US$225 million 12.00% senior secured notes due 2020 issued on October 22, 2018). On December 6, 2018, we issued our US$80 million 12.00% senior notes due 2020 (which was consolidated with and formed a single series with the US$225 million 12.00% senior secured notes due 2020 issued on October 22, 2018 and the US$70 million 12.00% senior secured notes due 2020 issued on November 9, 2018). On December 20, 2018, we issued our US$25 million 12.00% senior secured notes due 2020 (which was consolidated with and formed a single series with the US$225 million 12.00% senior secured notes due 2020 issued on October 22, 2018, the US$70 million 12.00% senior secured notes due 2020 issued on November 9, 2018 and the US$80 million 12.00% senior secured notes due 2020 issued on December 6, 2018). On May 2, 2019, we issued our US$225,000,000 11.375% senior secured notes due 2022, a portion of which was used to exchange all of our US$160,000,000 10.0% senior secured notes due 2019. On July 11, 2019, we issued US$225,000,000 13.75% senior secured notes due 2022. On October 18, 2019, December 3, 2019, January 21, 2020 and February 6, 2020, we issued US$327,500,000 13.75% senior notes due 2023. On June 24, 2020 and July 21, 2020, we issued US$150,000,000 11.75% senior notes due 2021. On October 8, 2020 and November 12, 2020, we issued US$300,000,000 12.5% senior notes due 2023. On October 30, 2020, we issued US$200,000,000 12.0% senior notes due 2022, a portion of which was used to repurchase part of the March 2022 Notes and May 2022 Notes. On January 21, 2021, we issued US$300,000,000 12.5% senior notes due 2023, a portion of which was used to exchange part of our March 2022 Notes. On May 17, 2021, we issued US$130,000,000 11.0% senior notes due 2024.

Project design and planning

We have put in place a four-stage planning and design process, involving conceptual planning, construction planning, final planning and review and approval of construction drawings. We usually set out our cost and time requirements, as well as statutory and government requirements in our contracts with the design companies engaged by us, pursuant to which the relevant design plans are prepared. Our sales and marketing department will also provide inputs on commercial planning, such as intended tenant and industry mix, for our integrated commercial complex projects. The relevant design companies engaged by us will then prepare the relevant designs and drawings according to our requirements.

We strive to develop real estates that are appealing to our target customers. To this end, we are aspired to develop high quality real estates which usually adopt classical or neo-classical architectural style under a spectrum of European or Chinese themes. Our products endeavour to create a luxurious lifestyle and hospitable living environment for our customers and we believe that the architectural design and planning adopted by us will instill a sense of pride amongst our customers in owning or investing in our properties.

In order to maintain our competitiveness in the property market, we recognize the need to remain innovative in our product design. In this regard, while the majority of our property development projects is European themed, our Zijin Mansion will be developed into a Chinese themed residential complex with traditional Chinese themed garden incorporating various pavilions and a four-storey pagoda constructed at its centre. In order to enhance the appeal of our products, we usually apportion a sizeable portion of site area for the construction of scenic gardens and/or squares for the enjoyment of our residents. For instance, our Zijin Mansion will feature various scenic spots including a Chinese styled artificial lake and various pavilions. We envision that these gardens and squares will not only enhance the comfort of our customers, they also provide visual appeal to owners and target customers.

We believe that our innovative design distinguishes us from our competitors. One of the featured designs that has been infused in some of our property development projects materializes a significant segregation of vehicles from pedestrians. In order to maximize surface leisure areas for our residents, some of our complexes have been or will be developed with car entrances that direct all incoming vehicles to an extensive underground travelling area. Our underground travelling area is accessible to the residential buildings and their respective car parks within the relevant complex. We believe that this featured design is not only environmental friendly for the pedestrians, it also adds an additional level of comfort to our customers.

It is our objective to develop resident-oriented complexes. In this regard, each of our property development projects has been or will be developed into a communal style complex, which is designed to provide a high level of convenience and enjoyment to our customers by bringing entertainment facilities, restaurants, shopping arcades, schools, gardens and other amenities and facilities in close proximity to the residential area. In order to achieve this, it is our intention to develop commercial pedestrian streets (商業步行街) and/or shopping arcades to cater to the daily needs of our residential customers. It is also our plan to retain control over the overall management of our shopping arcades in integrated commercial complexes which enables us to select tenants and their industry composition. Under our management, we are aspired to provide a "one-stop-shop" shopping experience to our customers and surrounding local residents.

We engage the service of design companies for generating our project designs and construction drawings. Save for Jiaxing City Boyuan Architecture Design Co., Ltd (嘉興市博源建築設計有限公司), formerly known as Zhejiang Jia Yuan Construction Design Limited (浙江佳源建築設計有限公司), which is a connected person, all of the design companies engaged by us were independent third parties. We usually select a design company following an assessment of its reputation, track record, performance, experience and engagement costs. Our contracts with the design companies usually stipulate the scope of design service required, our time and quality standard requirements, service fee and payment schedule. In this regard, a design company usually charges us a service fee with reference to the GFA of a project, which is typically payable at various development milestones of a project.

Construction and quality control

Construction

We outsource all construction work of our property development projects to construction contractors. We usually conduct an open tender process to select our construction contractors. In this regard, we usually engage the service of a tender agent to organize the open tender process which includes preparing the relevant tender documents and relevant tender invitations, receiving and reviewing bidding documents from bidding participants based on a set of criteria determined by us, and reporting to us the status of the open tender process. We usually enter into a legally-binding agency contract with an independent third-party tender agent on a project-by-project basis. Under the terms of a typical agency contract, we will pay a tender agent either a fixed service fee or such service fee that is calculated with reference to: (i) the planned GFA of a project; or (ii) the contract sum of the winning construction contractor.

The criteria for selecting a construction contractor is set out in the tender documents, which include: (i) the qualification of the construction contractor; (ii) its construction track record; (iii) the historic occurrence of safety incidents; (iv) the construction fee; (v) any history of previous cooperation; and (vi) the awards it has received and its reputation. We will enter into a legally-binding project-based construction agreement, either with respect to the whole property development project or certain phase thereof, with the winning contractor which incorporates the terms set out in the tender documents and the bidding documents submitted by the relevant construction contractor. The main terms and conditions of a construction contract include: (i) the duration of construction which varies according to the complexity of a particular project; (ii) the scope of construction work; (iii) the parties' responsibilities for acquiring raw materials; (iv) the payment terms; and (v) the limitations on sub-contracting construction work. We usually do not allow our construction contractors to subcontract any part of the construction work unless otherwise approved or agreed by us. Further, we usually hold the construction contractor responsible for the actions and performance of the sub-contractor.

The scope of construction work carried out by a construction contractor is usually included in the construction contract and generally includes civil engineering works, foundation works, primary structural works, installation works, and general construction works. The relevant construction contractor is generally contractually responsible for purchasing substantially all major construction materials, such as steel and cement, other than any raw materials that we have specified as would be purchased by us, such as ceramic tiles, doors, intercom equipment, and elevators. The construction contractor will usually bear the acquisition costs of those raw materials procured by them while we will bear the costs of any raw materials procured by us.

We usually agree to pay the construction contractor according to the stage of construction under the construction agreement. While the percentage of construction fee payable to the construction contractor varies in different projects, under a typical development project, we would have paid approximately 70% to 80% of the construction fee when the construction work of the relevant building(s) is completed pending completion inspection; approximately 85% to 90% of the construction fee upon satisfactory completion inspection; and approximately 95% to 97% of the construction fee at the time of settlement. We retain 3% to 5% of the construction fee as quality assurance deposit which is usually payable to the construction contractor within a period of five years.

The construction contract is usually terminable by mutual agreement. In addition, we are entitled to terminate if the construction contractor sub-contracts all or any part of the construction work to a third party without our consent. Occasionally, the construction contract will allow the construction contractor to terminate the construction contract if there is a material delay on our part in paying the construction fee in accordance with the terms of the contract.

All our construction contractors are independent third parties. During the years ended December 31, 2018, 2019 and 2020, we did not have any material disputes with our construction contractors or agents.

Quality control

The quality standards adopted by us in our project development are compliant with the applicable PRC legal requirements. A construction contractor is contractually obliged to provide regular reports on the progress of the construction period and relevant forecast. The quality control team of each of our regional project companies, comprising a project engineering manager, engineers and other personnel is responsible for monitoring the development progress, the quality of construction work and construction material used.

We also engage third party certified construction supervision companies as supervisors to assist us in our quality control effort. We generally engage a third party agent to organize an open tender process for selecting a third party supervisor. The criteria used for selecting the third party supervisor include (i) the qualification of the third party supervisor; (ii) the composition and experience of the supervisory team; (iii) any history of previous cooperation; and (iv) the supervisory fee.

We convene regular conferences with the construction contractor and third party supervisor to review the development progress and follow-up issues for each property development project. The construction contractor will be required to carry out rectification work on any sub-standard construction work until a satisfactory standard is achieved. Further, it is usually stipulated in our construction contract that the raw materials used by the construction contractor must conform to the standards and specifications determined by us. Any use of sub-standard raw materials by the construction contractor is susceptible to rectification work to be conducted by the relevant contractor at its own expense. If the construction contractor fails to remedy any default identified by us within a stipulated period, we are entitled to monetary compensation and/or termination of agreement. Further, a construction contractor is usually required to indemnify us for any loss suffered by us as a result of any breach of the construction contract.

Sales and marketing

Formulating sales strategy and determining sale price

Our sales and marketing department at our headquarters and regional project companies are responsible for formulating sales strategy and determining property sale price. Generally speaking, when we conduct our feasibility studies at the beginning of the property development project, we have already collected and analysed the relevant demographic and economic data of the relevant site location, estimated our development costs and have, accordingly, determined the customers targeted for our property development. Based on these information, we will determine the sale price for properties developed by us. Our sales and marketing department will formulate sales strategy such as incentive measures to promote sales. We may, at our own discretion, give discount to our customers for sale promotion purposes.

Our property sale price is generally determined with reference to (i) our land acquisition and construction costs, (ii) sale price of our competitors for developments of similar scale and quality in the proximity, (iii) type of property, (iv) location of the relevant property and (v) market conditions.

Advertisement and promotional activities

We believe that it is the most effective sales strategy to showcase our products and allow our potential customers to experience and visit our products with a view to creating a lasting impression on our quality. Accordingly, it is our strategy to prioritize the development of our projects' sales exhibition zone, which is usually developed with decorated residential properties of various room types, and actual gardens and/or squares.

In April 2015, we entered into a cooperation agreement with a real estate agent for the purpose of promoting sales of properties developed under our Venice Metropolis. Under the cooperation agreement, the real estate agent agreed to procure an agreed number of potential customers to visit our project premises at the commencement of pre-sale and to attend our promotional activities. The real estate agent will also organize tours to the project premises. Customers who purchase our properties during the tour may enjoy certain promotional discount. Pursuant to the cooperation agreement the real estate agent will receive a fixed fee from the customers for each property purchased by them during the tour.

In 2015, we have put in place a promotional scheme that encourages our customers to refer potential customers to purchase properties developed by us. Under this promotion scheme, we will, among other things, offer monetary reward to both the referrer and new customer for each successful transaction.

In addition, our advertisement and promotional activities include media and billboard advertisements. We also regularly hold promotional activities on our complex premises to promote our products. We plan to organize, sponsor and participate in large-scale press conference and exhibitions to enhance the recognition of our "Jia Yuan" brand.

Sales

We sell our properties through our own regional sales team and/or sales agents which we engage on an exclusive or non-exclusive basis. We enter into an agency agreement with the relevant sales agent which sets out the terms of engagement, which usually include: (i) the details of the relevant project and the portion thereof for which the sales agent is required to provide sales services; (ii) the mechanism of determining the benchmark sale price; (iii) the commission payable to the sales agent and settlement mechanism; and (iv) the duration of the agency agreement.

The agent's commission amount, which is usually calculated with reference to the sale price and the commission rates, may vary between different projects and different agents. Nonetheless, under a typical agency agreement, the sales commission is usually payable by us in arrears on a monthly basis. Further, we are entitled to set monthly sales target for the sales agent. Where the sales agent fails to achieve the monthly sales target set out in the agency agreement, we are entitled to withhold payment of the sales commission until such monthly sales target is reached. We are also entitled, under a typical agency agreement, to terminate the service of a particular agent, if that agent fails to meet our sales target for two consecutive months.

According to the relevant PRC laws, the pre-sale of commodity properties prior to the completion of its construction is subject to registration and approval requirements. A property development is only allowed to engage in pre-sale activities if: (i) the relevant land premium has been fully paid and the developer has obtained the relevant land use rights certificate(s); (ii) a construction works planning permit and construction works commencement permit have been obtained; (iii) the amount invested in the construction of the project represents 25% or more of the total investment costs of the property development project, and the progress of construction work, completion and delivery dates have been ascertained; and (iv) the pre-sale proposal has been registered and a pre-sale permit has been obtained by the property developer. We have obtained all necessary permits for our pre-sale transactions.

We enter into temporary and formal sale/pre-sale contracts with our end-customers directly. Our formal sale contract usually stipulates: (i) the instalments of the purchase price payable by the customer under an agreed schedule; (ii) the additional amount payable by the customer or the mechanism for terminating the agreement in the event of delay or default in payment; and (iii) in respect of a pre-sale transaction, the delivery date and delivery procedure. Under normal circumstances, we usually receive full amount of the purchase price at or before delivery of the relevant property. We provide quality assurance to our customers in accordance with and for a period not shorter than that stipulated under the relevant PRC laws.

We have arrangements with certain banks where we will provide guarantees to banks for any mortgage loans taken out by our customers to purchase our properties. Typically, these guarantees terminate when the customer obtains the building ownership certificate and the mortgage registration for the relevant property is completed. The duration of our guarantees vary on a case-by-case basis subject to, among other things, the time at which our customers obtain the relevant mortgage loans. Since: (i) the delivery of properties to our customers generally takes place within two years from the date of the relevant sales contract; and (ii) it is our policy to assist our customers with obtaining the relevant building ownership certificates within six months from, among other things, the date of delivery of the relevant properties, the duration of our guarantees are generally within two and a half years from the date of the relevant sales contract. The guaranteed amount is limited to the mortgage loan amount and is payable by us in the event that the customer defaults in repaying the mortgage loan. Consistent with industry practice, we do not conduct independent credit evaluations on our customers but rely on the credit checks conducted by the mortgagee banks. During the years ended December 31, 2018, 2019 and

2020, we provided guarantees of approximately RMB11,269.9 million (restated) and RMB13,289.6 million and RMB10,766.3 million (US$1,651.5 million), respectively. During the years ended December 31, 2018, 2019 and 2020, there was no incident of default.

Delivery and after-sales service

We are required to deliver a completed property in accordance with the terms of the formal agreement entered into with a customer. At the time of delivery, we are required by the relevant PRC laws to pass to the customer, a user manual and completion certificate issued by the relevant authorities evidencing the satisfactory results in the completion acceptance inspection. Pursuant to a typical formal sale agreement, we will provide written notice to a customer informing the delivery date and other relevant details. A customer will generally be deemed to have accepted all the risks associated with delivery and all the expenses incurred thereafter after 30 days from the date of our delivery notice.

We strive to punctually deliver the relevant properties, as any failure to do so, may render us liable for payment of compensation and/or may entitle the customer to terminate the agreement at our expense resulting in a full refund of all amounts paid by the customer. Pursuant to a typical sale/pre-sale contract entered into between ourselves and our customers, if we fail to deliver the relevant property for a period not exceeding 90 days, we are required to pay compensation to our customer at a daily rate of 0.0015% of the sale price paid by the customer for each day of delay. If we fail to deliver the relevant property for a period exceeding 90 days, the customer is entitled to terminate the sale/pre-sale contract, and we are required to: (i) refund all sale price paid by the customer within 15 days following our receipt of the termination notice; and (ii) pay compensation to the customer at a daily rate of 0.015% of the sale price paid by the customer for each day of the delay up to the day on which refund of the sale price mentioned in (i) above is made in full. Where a customer elects not to terminate the sale/pre-sale contract, we are still required to pay compensation to the customer at a daily rate of 0.015% of the sale price paid by the customer for each day of the delay up to the day on which we have received the completion certificate.

We experienced delays in delivering properties to our customers for Suqian Park Number One (宿遷公園一號), Venice Metropolis (威尼斯城) and Elite International Garden (名人國際花園) during the year ended December 31, 2016, mainly due to delays in the construction process. In response, we have revised our internal policy and guidelines to set out timelines for each major milestone for various types of projects. The enhanced internal control measures require our engineering and cost control department at the subsidiary level, which is responsible for monitoring construction time and quality, to adhere to such timeline. Our headquarters is entitled to give directives to the project company on the execution of a particular project, and the general manager of each project company shall assess the construction status of a project and report to the headquarters on a monthly basis. If there occurs any delay or potential delay to the permissible timeline, the project company must account for such a delay and the revised timeline must be approved by our headquarters before its execution. During the years ended December 31, 2018, 2019 and 2020, we paid approximately nil, nil and nil, respectively, due to delays in delivering properties to customers. Please see "Risk factors – Risks relating to our business – We may not be able to complete or deliver our property development projects on time and we may be subject to liabilities as a result of such delays".

Our after-sales service primarily includes offering assistance to our customers in obtaining ownership certificates and handling customers' complaints.

Product Returns and Warranty

We carry out inspection and quality checks on our properties before delivery. During the years ended December 31, 2018, 2019 and 2020, we did not experience any returns of our properties due to quality defects.

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). We provide different warranty and maintenance periods to our property purchasers in respect of different parts of the construction projects of the building according to the Implementation Regulation of Residence Quality Guarantee and Residence Manual System on Commercial Housing (商品住宅實行住宅質量保證書和住宅使用說明書制度的規定) or Measures on the Warranty and Maintenance of Building Construction Projects (房屋建築工程質量保修辦法).

In general, we provide a five-year warranty in respect of water leakage due to external walls and a one-year warranty in respect of the quality and conditions of most parts of the residential property unit. For the foundation and structure of the commodity property, we will provide warranty for such period as required by the relevant PRC laws and regulations.

Property Management Services

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

The pre-delivery property management service contract will remain in effect after delivery of properties to our customers. However, under the relevant PRC laws and regulations, half of the property owners which own properties accounting for more than half of the non-communal GFA in a property development have the right to engage or dismiss a property management company. In the event that the property owners dismiss the existing property management company, the owners' committee will enter into a new property management service contract with the property management company chosen by the majority property owners.

On January 21, 2019, we completed the acquisition of the entire equity interest in Chuangyuan Group, which is engaged in the property management business in the PRC. Property management became a new operating segment of our Group in the first half of 2019.

Chuangyuan Holdings wholly owns five property management companies in the PRC. The property management companies primarily provide: (a) property management services, such as security, repair and maintenance, cleaning and garden landscape maintenance, to property owners of residential communities and commercial properties; and (b) pre-delivery property management services, including on-site security, cleaning, greening and gardening, customer services and other ancillary services, to property developers prior to the establishment of an owners' committee. As of June 30, 2020, there was a total of 177 managed properties, covering residential properties, commercial offices and urban complexes, including 148 residential communities, 25 commercial properties and 4 other properties, with a total contracted GFA under management of more than 49,660,000 sq.m. These properties were located mainly in provinces including Zhejiang, Jiangsu and Anhui. Other than these five property management companies, all the property management companies that we engage for pre-delivery property management services are independent third parties. We believe that this acquisition is in line with our development strategy and leads to a more comprehensive coverage of our business value chain. In addition, this acquisition further diversifies our income sources and expand our business scale. The acquisition was completed on January 21, 2019 and Chuangyuan Holdings has become our wholly owned subsidiary.

On December 9, 2020, Jiayuan Services successfully listed on the Main Board of the Hong Kong Stock Exchange. Jiayuan Services and its subsidiaries are principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC.

Project Financing

Our main sources of funding for our property development projects include: (i) proceeds from pre-sales and sales of our properties; (ii) bank borrowings; and (iii) financing from trust companies and asset management companies. As of December 31, 2020, our outstanding bank and other borrowings amounted to approximately RMB12,632.6 million (US$1,936.0 million).

Trust financing is an authorized form of financing in the PRC and usually refers to financing from trust funds established and managed by trustees, which are trust companies registered with the CBRC. These trust financing arrangements can take the form of equity financing or debt financing, and are invested by qualified investors who meet the criteria set out in the Measures for the Administration of Trust Companies' Trust Plans of Assembled Funds (信托公司集合資金信托計劃管理辦法) issued by CBRC on February 4, 2009 as amended from time to time. Borrowers' liabilities under trust financing can be secured by different forms of security including equity pledges, guarantees, and land mortgages.

According to the Measures on Administration of Trust Companies (信托公司管理辦法), the Administrative Measures for Pooled Fund Trust Plans of Trust Companies (信托公司集合資金信托計劃管理辦法), and the Administrative Measures for Net Capital of Trust Companies (信托公司淨資本管理辦法) which took effect on March 1, 2007, February 4, 2009, and August 24, 2010, respectively, a "trust company" is a financial institution established in the PRC, which has a minimum registered capital of RMB300.0 million or equivalent value in another currency, that carries out trust business in China. A "trust business" refers to business operations undertaken by a trustee under the fiduciary capacity of that office.

According to the Notice on Strengthening the Supervision of Trust Companies' Real Estate Business (關於加強信托公司房地產業務監管有關問題的通知) implemented by the General Office of CBRC on February 11, 2010 (the "Supervision Notice"), the following conditions must be satisfied before a trust company may finance a property development: (i) the property developer has obtained a development qualification of class two or above as evidenced by the Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書); (ii) the property developer has invested such amount by deploying its own capital in compliance with the relevant requirements set by the relevant government authorities; and (iii) the property developer has obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits.

According to the Notice on Risk Alert for Trust Companies' Real Estate Business (關於信託公司房地產信託業務風險提示的通知) issued by the CBRC on November 12, 2010, all trust companies are required to review each of its property development related trust financing transactions for regulatory compliance and risk exposure. These include a review of compliance with the Supervision Notice. In the event of non-compliance, the relevant banking regulatory bureau may require the trust company to rectify and/or penalize the non-compliance in accordance with applicable rules and regulations.

As of December 31, 2020, we had seven outstanding secured financing arrangements with an aggregate total outstanding amount of approximately RMB4,661.7 million (US$714.4 million) from trust companies. As of December 31, 2020, we had not been informed by trust companies or asset management companies of any instance where the CBIRC had required rectification of their trust financing arrangements with us.

Suppliers

For the years ended December 31, 2018, 2019 and 2020, our five largest suppliers, which included construction contractors, electricity works supply contractors and landscaping and greening works contractors, were less than 30% of the total purchases of the Group. All of our five largest suppliers during the years ended December 31, 2018, 2019 and 2020 were independent third parties. The length of our business relationships with our five largest suppliers range from one year to ten years.

Procurement

We usually stipulate the standards, specifications and, for particular items, the specific brands of raw materials that we require our construction contractors to procure for our property development projects. Our construction contractors are usually required to seek our approval before either procuring or using the relevant raw materials. Unless otherwise agreed, the construction contractor will bear the procurement costs of such raw materials provided, in respect of major construction materials, if such costs are only subject to immaterial fluctuation. Where the rate of fluctuation of the costs of such materials exceeds an agreed threshold that ranges from 5% to 10% depending on the material, we would bear the costs that exceeds the fluctuation threshold. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Description of selected components of consolidated income statement and consolidated statement of comprehensive income – Cost of sales" for further details about the potential impact on our performance in the event of any significant fluctuation of our major cost of sales.

If our construction contractor has procured substandard or unapproved raw materials, we are entitled to either require such construction contractor to return such substandard raw materials before they have been used or conduct rectification work with the approved raw materials at its own expense. A construction contractor that uses substandard or unapproved raw materials is liable to compensate us for any loss suffered by us as a result thereof.

We may procure specific raw materials required for our property development projects in the PRC, such as ceramic tiles, doors, intercommunication equipment and elevators on our own initiative. Our regional project company is responsible for selecting the relevant suppliers. We usually select our suppliers based on, among other things, (i) the quality of their raw materials and/or services; (ii) the punctuality of product delivery and (iii) the product price. We usually enter into ad hoc supplies agreement with a supplier for the procurement of a particular item which typically sets out, among other things, the raw material required, the relevant specification, delivery date(s), product price, payment schedule, and warranty period, as applicable. Generally speaking, the relevant supplies contract would entitle us to return any defective product at the expense of the supplier. We generally do not enter into any long-term supply contract with our suppliers. During the years ended December 31, 2018, 2019 and 2020, we did not experience any shortage or delay in the supply of raw materials. We believe that the raw materials purchased by us, such as ceramic tiles, doors, intercommunication equipment and elevators, are usually not subject to any material cost fluctuation.

Customers

For the years ended December 31, 2018, 2019 and 2020, our five largest customers included purchasers of our residential properties and/or commercial properties, who are individuals and corporate entities, and tenants of our commercial properties. For the years ended December 31, 2018, 2019 and 2020, the revenue generated by these five largest customers were less than 30% of the total revenue.

Competition

The Jiangsu property market and, generally, the PRC property market is highly fragmented and competitive. We primarily compete with national, regional and local property developers which have established their presence in cities where we have operations and where we intend to expand into, and to a lesser extent, international property developers which have entered the PRC property market. We compete over a range of areas, including but not limited to brand recognition, financial resources, pricing, size and location of land reserves and design and quality of our products. Many of our competitors, which are national or international property developers may have greater financial and capital resources and a larger scale of operation than us. Further, regional or local property developers who are our competitors may enjoy a higher degree of brand recognition, extensive market knowledge of the local property market, and established business relationship than we do.

The real estate market in the southern part of Jiangsu Province is highly competitive and market players in this area include companies which are listed on the Hong Kong Stock Exchange. The established reputation of these developers poses a high entry barrier in the southern part of Jiangsu Province. As for the northern part of Jiangsu Province, the real estate market has been booming in recent years along with the national real estate market. Nonetheless, economic development in the northern part of Jiangsu Province still lags behind that in the south. Average property prices in the northern part of Jiangsu Province are lower than those in the south. The market capacity of the northern part of Jiangsu Province is also smaller. A relatively small market capacity is the main barrier for new property developers to enter into the real estate market in the northern part of Jiangsu Province.

Despite the above competitive landscape, we believe that the PRC property market has potential for growth. We believe that, with our property development experience, level of brand recognition, product quality, established operation system and our management's thorough understanding of the market based on their previous first-hand experience in various fields and our strength, we will be in a position to react promptly and effectively in the PRC property market. We cannot assure you that we will be able to maintain our competitiveness effectively in our industry. Please see "Risk factors – Risks relating to our industry – Intensified competition may materially and adversely affect our business, results of operations and financial condition" for further details.

Risk Management

We believe that risk management is crucial to the success of any property developer in the PRC. Some of the risks we face include changes in the political and economic conditions of the PRC, changes in regulations and policies implemented by the PRC Government with respect to the PRC property market, uncertainty over availability of financing and suitable land sites for future development. Please see "Risk Factors" for further details on risks and uncertainties faced by our Group. For further details on the financial risks we face, please see "Management's discussion and analysis of financial condition and results of operation – Quantitative and qualitative analysis of market risk".

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- our Board is responsible for determining business and investment plans, preparing budgets and financial reports and is in charge of the overall risk control of our Group. Our Board conducts a thorough examination of any material risks associated with any business decision before making or approving a certain business decision. Please see "Directors and Management" for details about the qualifications of our Board members.

- our senior management team is responsible for monitoring daily operations and any associated operational risks of our Group. The team is also responsible for analysing and approving business decisions relating to our development projects and other aspects of our daily operations. In particular, project companies are arranged in such a way that each project company has a clear reporting line to facilitate efficient communication between the headquarters and our project companies.

- our internal control department is responsible for ensuring our regulatory and contractual compliance. Our internal control department is responsible for formulating policies or proposing arrangements and changes within our Group to ensure compliance with the relevant regulations or contractual obligations. The internal control department is responsible for also keeping tracks of and maintains compliance records of our Group.

- our city and site selection decisions are made by our headquarters. Our headquarters is tasked with setting annual development plan and the assessment of regions and cities in the PRC for potential development, and determination of site selection decision. Our project manager will report to headquarters on the results of any feasibility studies conducted us.

- we have adopted various internal policies and procedures for various aspects of our operations. We provide trainings to our employees in order to enhance their knowledge of our corporate culture, with a view to manage our operational and market risks.

Intellectual Property Rights

We have registered with the PRC Trademark Office our trademarks under various categories, and have applied to "Jia Yuan 佳源," "佳源." We have registered "香港佳源", "佳源國際" trademarks in Hong Kong.

As of the date of this offering circular, we were not aware of any pending claims by any third party against us for the use of our intellectual property rights. As of the date of this offering circular, we were not aware of any infringement by us of intellectual property rights owned by third parties or infringement by third parties of our intellectual property rights.

Insurance

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their operations. The major types of insurance that we maintain include medical insurance and employer liability insurance for our Hong Kong employees. As of the date of this offering circular, we had not experienced any significant loss or damage to our properties.

For our property development business, we typically require the construction contractors of our property development projects to purchase construction in progress insurance for our projects under development.

We believe we maintain adequate insurance coverage for our operations and that the scope of the coverage is in line with industry norms. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. Please see "Risk factors – Risks relating to our business – We may not have adequate insurance coverage to cover our potential liabilities or losses" for further details.

Employees

As of December 31, 2020, we employed a total of approximately 6,813 full-time employees. Most of our employees are located in the PRC. The table below sets out details of the number of our employees as of December 31, 2020:

Job nature	Number of Employees
Senior management	113
Sales and marketing	527
Administration and human resources	178
Finance and accounting	202
Engineering and cost control	431
Basic Services	5,362
Total	6,813

We believe that our workforce is one of the most important assets of our Group and we rely on our employees in striving for future success. We enjoy good relationships with our employees and have not had any material turnover of staff or disruption to our business operations due to labour disputes. In order to equip our employees with a view to enhance their work performance, we provide vocational training to our employees. We believe that our management have and will continue to maintain good relations with our employees.

Occupational Health and Work Safety

As required by applicable PRC laws and regulations, we participate in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance.

We are subject to laws and regulations in relation to workplace safety in the PRC. We have developed a safety management system to implement our safety policies and procedures. Our administrative and human resources department at the headquarters level is responsible for overseeing the safety of our employees during the overall project development process.

With respect to construction site safety, our construction contractors are responsible for the safety of their workers on the construction sites and are required to maintain accident insurance for their workers. We generally do not carry insurance against personal injuries that may occur on-site but require our construction contractors to purchase accident insurance to cover their workers' medical and other related expenses. We also engage independent third party construction supervision companies to monitor safety measures throughout the construction process and report inspection results to us regularly.

Environmental Matters

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例). Please see "Regulatory Overview" for further details. In accordance with applicable laws and regulations, we have engaged independent environmental consultants to assess the environmental impact of our construction projects. We are required to submit assessment reports to the relevant governmental authorities for approval of the projects.

Under our typical construction contracts, we require our contractors to comply with relevant environmental laws and regulations.

Upon completion of construction works, we are required to apply for an examination with respect to environmental matters from the relevant governmental authorities. Only property development projects which have passed such examination can be delivered to our customers. All of our completed properties have passed inspections by the environmental protection authorities, and we have obtained the relevant environmental assessment approvals with respect to our properties under development.

During the years ended December 31, 2018, 2019 and 2020, we incurred environmental compliance costs in the amount of approximately RMB8.1 million, RMB31.2 million and RMB20.9 million (US$3.2 million), respectively. We expect to continue to incur compliance costs at a similar rate.

Properties Used by Us

We own the property used for our Hong Kong office. In addition, we also maintain offices at the project site of each of our property development projects. We own or lease the properties used for these offices. We do not anticipate any difficulty in renewing these leases or leasing replacement premises.

Licences, Permits and Qualifications

As of the date of this offering circular, save as disclosed in this offering circular, we have obtained all material requisite licences, permits, certificates and approvals for our business operations in the PRC.

We have not renewed, and do not intend to renew, the qualification certificates of Yangzhou Hengyuan, Yangzhou Mingyuan and Yangzhou Guangyuan as all property development projects under these three subsidiaries have been completed. Save for the above, we will apply to the relevant government authorities to renew our licences, permits and qualification certificates before their expiry.

Legal Proceedings

From time to time, we may be involved in legal proceedings or other disputes in the ordinary course of business.

As of the date of this offering circular, we are not aware of any legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse effect on our business or results of operations and financial condition. See "Risk factors – Risks relating to our business – We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result".

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. These include laws relating to the establishment of real estate development enterprises, acquisition of land use rights, property development, sales/pre-sales of commodity buildings, and environment protection, etc.

ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

General provisions

In accordance with the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》)(the "**Urban Real Estate Law**") (promulgated on July 5, 1994, revised on August 30, 2007 and August 27, 2009 and latest amended on August 26, 2019 and such latest amendment came into effect on January 1, 2020, real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of making profits. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》)(the "**Development Regulations**") (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011, March 19, 2018 and March 27, 2020 and last amended on November 29, 2020), the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) the registered capital shall be RMB1 million or above ; (ii) the enterprise shall employ no less than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and no less than 2 full-time accountants with certificates of qualifications. People's governments of provinces, autonomous regions and centrally-administered municipalities may, based on the actual conditions of the locality, set out more stringent requirements in respect of registered capital and technical professionals.

Foreign investment in real estate development

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》)(the "**Foreign Investment Law**"), which came into effect on January 1, 2020 and replace the Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), and become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the "**foreign investors**") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

Under the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》)(the "**Catalogue**") promulgated by **MOFCOM** and **NDRC** on March 10, 2015 and became effective on April 10, 2015, the construction of large-scale theme park falls within the category of industries in which foreign investment is restricted; the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited; and other real estate development falls within the category of industries in which foreign investment is permitted. Pursuant to the amended Catalogue (the "**Catalogue (Edition 2017)**") promulgated by MOFCOM and NDRC on June 28, 2017 and became effective on July 28, 2017 and the Special Management Measures (Negative List) for the Access of Foreign Investment (Edition 2018)(《外商投資准入特別管理措施(負面清單)(2018年版)》)(the "**Negative List (Edition 2018)**") promulgated by the NDRC and the MOFCOM on June 28, 2018 and came into effect on July 28, 2018, real estate development does not fall within the Negative List (Edition 2018) and the restrictive measures for construction of large-scale theme park, golf courses and villas are equally applicable to domestic and foreign investment. On June 30, 2019, MOFCOM and NDRC promulgated the Catalogue of Industries for Encouraging Foreign Investment (Edition 2019)(《鼓勵外商投資產業目錄》) and the Special Management Measures (Negative List) for the Access of Foreign Investment (Edition 2019)(《外商投資准入特別管理措施(負面清單)(2019年版)》), both of which became effective on July 30, 2019 and superseded the Catalogue (Edition 2017) and the Negative List (Edition 2018). On June 23, 2020, MOFCOM and NDRC promulgated the Special Management Measures (Negative List) for the Access of Foreign Investment (Edition 2020)(《外商投資准入特別管理措施(負面清單)(2020年版)》) and on December 27, 2020, MOFCOM and NDRC promulgated the Catalog of Industries for Encouraging Foreign Investment (Edition 2020)(《鼓勵外商投資產業目錄(2020年版)》) while the policy for the real estate development remains the same.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the People's Bank of China (the "**PBOC**"), the State Administration of Market Regulation (the "**SAIC**") and the State Administration of Foreign Exchange (the "**SAFE**") jointly issued the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market(《關於規範房地產市場外資准入和管理的意見》), amended on August 19, 2015, which provides that: (i) foreign organizations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase non-owner-occupied real estate in China; while branches of foreign organizations established in China are eligible to purchase commercial houses which match their actual needs for self-use under their names; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operational term of one year only after they have paid all the land premium and obtained the land administration department for the state-owned land use right certificate; (iv) with respect to equity transfer and project transfer of a foreign-invested real estate enterprise and the merger and acquisition of a domestic real estate enterprise by an overseas investor, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant laws, regulations, and policies. The investor concerned shall submit a letter of guarantee on its promise to perform the Contract on the Transfer of State-owned Land Use Right(國有土地使用權出讓合同), the License for the Planning of Construction Land(建設用地規劃許可證), the License for the Planning of Construction Projects(建設工程規劃許可證)etc., and shall submit the Certificate for the Use of State-owned Land(國有土地使用證), the documents certifying that the change of registration has been filed with the relevant department in charge of construction (real estate) for record, and the certification materials issued by the relevant taxation authority on the tax payment in relevance; (v) foreign investors shall pay all considerations for the transfer in a lump sum with their own funds if they acquire Chinese real estate enterprises or any equity interest held by Chinese parties in Sino-foreign Equity Joint Venture engaged in the real estate industry.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "**MOHURD**"), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market(《關於調整房地產市場外資准入和管理有關政策的通知》), which amended certain policies on foreign-invested real estate enterprises and property purchased by overseas organizations and individuals as stated in the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market(《關於規範房地產市場外資准入和管理的意見》)as follows, the requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the Proportion of Registered Capital to Total Amount of Investment of a Sino-foreign Equity Joint Ventures (《國家工商行政管理局關於中外合資經營企業注冊資本與投資總額比例的暫行規定》) promulgated and became effective on February 17, 1987; the requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement are canceled.

QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of receipt of the business license, file the relevant documents for record to the real estate development authorities located at its place of registration. The real estate development authorities shall, on the basis of the assets, specialized technical personnel and business achievements, verify the class of qualification of the real estate development enterprise in question. The real estate development enterprise shall undertake real estate development projects in compliance with the verified class of qualification. Relevant detailed rules shall be formulated by the department of the construction administrative of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》)(the "**Circular 77**") promulgated on November 16, 1993 and amended on March 29, 2000, May 4, 2015 and December 22, 2018, an enterprise engaged in real estate development shall apply for the approval in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain certificates of real estate investments shall not engage in the real estate development business. Enterprises engaged in real estate development are classified into four qualification classes: Class I, Class II, Class III and Class IV on the basis of their financial conditions, experience in real estate development business, construction quality, the professional personnel and quality control system etc.

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

LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

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

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

Land grants

National legislation

On April 12, 1988, the National People's Congress (the "**NPC**") passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and the transfer of land use rights. On December 29, 1988, the Standing Committee of the NPC also amended the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) to permit the transfer of land use rights for value.

On May 19, 1990, the State Council enacted the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) which was amended on November 29, 2020. These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value.

Upon paying the land premium in full pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use right certificate. In accordance with the Civil Code of the People's Republic of China (《中華人民共和國民法典》), which was promulgated by NPC on May 28, 2020 and came into effect on January 1, 2021 and replaced the Property Rights Law of the People's Republic of China (《中華人民共和國物權法》), the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if the State requests for the possession of land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of residential properties and other real estate on the land and the relevant land premium shall be refunded to them by the State.

Ways of land grant

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

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

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

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》) which became effective on August 1, 2003, to regulate the grant of land use rights by agreement when there is only one land use applicant and the designated uses of which are other than for commercial purposes as described above. The criteria on the Remising of State-owned Land Use Right by Agreement (For Trial Implementation) (《協議出讓國有土地使用權規範》(試行)) issued by the Ministry of Land and Resources on May 31, 2006 and came into effect on August 1, 2006 further clarifies the specific due procedures and requirements related to remising of state-owned land use right by agreement.

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)(《關於發布實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》) promulgated by the Ministry of Land and Resources and NDRC in May 2012, the granted area of the residential housing projects shall not exceed (i) 7 hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and plot ratio which shall not be lower than 1.0.

Land transfer from current land users

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

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

DEVELOPMENT OF REAL ESTATE PROJECTS

Commencement of real estate development projects

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the specified land use and within the construction period as prescribed in the grant contract. When the land user fails to commence development after one year since the date of starting the development as prescribed by the grant contract, an idle land fee no more than 20% of the land grant premium may be collected and when the land user fails to commence development after two years, the right to use the land may be confiscated without any compensation, except where the delays are caused by *force majeure*, the activities of government, or the delay in the necessary preliminary work for starting the development.

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

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

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

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

Planning of real estate projects

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

Construction Work Commencement License

The real estate developer shall apply for a Construction Work Commencement License (建築工程施工許可證) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and amended on July 4, 2001 and June 25, 2014, September 28, 2018 and latest amended on March 30, 2021 by MOHURD.

Acceptance and examination upon completion of real estate projects

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

INSURANCE OF REAL ESTATE PROJECTS

There are no nationwide mandatory requirements in the PRC laws, regulations and government rules requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC on November 1, 1997 and became effective on March 1, 1998 and amended on April 22, 2011 and April 23, 2019, construction enterprises shall maintain work injury insurance and pay the insurance premium, while enterprises are encouraged to take up accident liability insurance for employees engaged in dangerous operations and pay the insurance premium. In the Opinions of the Ministry of Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work (《建設部關於加強建築意外傷害保險工作的指導意見》) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of the insurance of accidental injury in the construction work and put forward a detailed guidance opinion.

REAL ESTATE TRANSACTIONS

Sale of commodity properties

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

Pre-sale of commodity properties

Any pre-sales of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sales of Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004 (the "**Pre-sales Measures**"). The Pre-sales Measures provides that any pre-sales of commodity properties is subject to specified procedures. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales license.

Pursuant to the Urban Real Estate Law and the Pre-sales Measures, the proceeds from the pre-sales of commodity properties shall be used to fund the development and construction of the corresponding projects.

Furthermore, under the Circular on Issues Concerning Further Strengthening the Supervision and Administration of the Real Estate Market and Improving the Pre-sale System of Commodity Properties (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》) issued by the MOHURD on April 13, 2010, all proceeds from the pre-sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds to be used for the development and construction of the corresponding projects. The proceeds from the pre-sales would be allocated according to the construction progress, provided that adequate fund has been reserved to ensure the completion and delivery of the projects.

Sales after completion of commodity properties

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

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

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

Mortgage of properties

The mortgage of real estate in the PRC is mainly governed by the Civil Code of the People's Republic of China (《中華人民共和國民法典》) and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other real fixtures may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the use right of the land on which the building is located. The mortgagor and the mortgagee shall enter into a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the contract parties shall register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee.

Lease of properties

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, MOHURD promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the "**New Lease Measures**"), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB1,000 (individuals) and RMB1,000 to 10,000 (enterprises) provided that they fail to rectify within required time limits. According to the Urban Real Estate Law, the land proceeds included in the rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

Under the Civil Code of the People's Republic of China (《中華人民共和國民法典》), which replaced the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the term of a leasing contract shall not exceed 20 years.

REAL ESTATE REGISTRATION

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

REAL ESTATE FINANCING

Loans to real estate development enterprises

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

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

- restricts granting loans to real estate developers for the purpose of paying land grant premiums;

- provides that, for secured loans for land reserve, legal land use right certificates shall be obtained;

- the loan on mortgage shall not exceed 70% of the appraised value of the collateral, and the term of loan shall be no more than two years in principle;

- provides that for the real estate developer who (i) delays the commencement of development date specified in the land use right grant agreement for more than one year, (ii) has not completed one-third of the intended project, or (iii) has not invested one-fourth of the intended total project investment, loans shall be granted or extended prudently;

- prohibits granting loans to the real estate developer whose land has been idle for more than two years; and

- prohibits taking idle land as a security for loans.

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

Trust loan

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

From October 2008 to November 2010, the CBIRC issued several regulatory notices in relation to real estate activities conducted by Trust Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (《關於加強信托公司房地產、證券業務監管有關問題的通知》), promulgated by the CBIRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use right certificates, construction land planning licenses, construction work planning licenses and construction work commencement licenses and the property projects of which less than 35% of the total investment is funded by the real estate developers' own capital, then the 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments and to 30% for other property projects as provided by the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on May 25, 2009, and then the 30% requirement was changed to 25% for other property projects as provided by the Notice of the State Council on Adjusting and Improving the Capital System for Fixed Assets Investment Projects (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council and became effective on September 9, 2015.

Housing loans to individual buyers

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

The Notice on Certain Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》) promulgated by PBOC, MOHURD and CBIRC on March 30, 2015 and became effective on the same date provides that where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first house, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price.

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

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

ENVIRONMENTAL PROTECTION

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

FIRE PREVENTION MANAGEMENT

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the Standing Committee of the NPC on April 29, 1998 and became effective on September 1, 1998, later amended on October 28, 2008 and became effective on May 1, 2009, and latest amended on April 29, 2021 and became effective on the same day, fire prevention facilities design and works for construction projects shall conform to State's fire prevention technical standards for engineering construction.

CIVIL AIR DEFENSE PROPERTY

Pursuant to the PRC Law on National Defense (《中華人民共和國國防法》) promulgated by the NPC on March 14, 1997, as amended on August 27, 2009 and December 26, 2020 and became effective on January 1, 2021, national defense assets are owned by the state. Pursuant to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》)(the "**Civil Air Defense Law**"), promulgated by the NPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in the construction of civil air defense property and investors in civil air defense are permitted to use, manage the civil air defense property in time of peace and profit therefrom. However, such use must not impair their functions as air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. On November 1, 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (《人民防空工程平時開發利用管理辦法》) and the Administrative Measures for Maintaining the Civil Air Defense Property (《人民防空工程維護管理辦法》), which specify how to use, manage and maintain the civil air defense property.

MEASURES ON STABILIZING HOUSING PRICES

The Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業稅政策的通知》) promulgated by the Ministry of Finance of the People's Republic of China (the "**MOF**") and the State Taxation Administration (the "**SAT**") on March 30, 2015 and became effective on March 31, 2015 provides that where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

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

In accordance with Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》)(promulgated and implemented on April 1, 2017 by Ministry of Land and Resources and MOHURD), in cities featuring obvious contradiction between the supply of and demand for housing or under pressure due to increasing housing prices and more housing land, in particular the land for ordinary commercial houses, shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring a lot of destocking of real estate. All the local authorities shall build a land purchase money inspection system to ensure that the real estate developers use their own legal funds to purchase land.

Pursuant to the Notice of MOHURD on Further Improving the Management and Control over the Real Estate Market (《住房城鄉建設部關於進一步做好房地產市場調控工作有關問題的通知》) promulgated and implemented on May 19, 2018 by MOHURD, all regions shall take practical measures to achieve targets of stabilizing housing prices, controlling rents, reducing leverage, preventing risks, adjusting structure, and stabilizing expectations, support rigid housing demands, and resolutely curb property speculation. It is necessary to improve the supply mode of commercial houses land and establish a linkage mechanism for land price and house price so as to prevent land prices from pushing up house prices. In key cities, the proportion of residential land should be enhanced and it is suggested that residential land represent at least 25 percent of land set aside for urban development.

FOREIGN CURRENCY EXCHANGE

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

Pursuant to the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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》)(the "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident (the "**PRC Resident**") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》)(the "**Circular 13**"), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

TAXES

Enterprise Income Tax (EIT)

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》)(the "**EIT Law**") which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

Furthermore, pursuant to the EIT Law and the Implementation Rules on the Enterprise Income Tax (《企業所得稅法實施條例》) which was promulgated on December 6, 2007 and with effect from January 1, 2008 and amended on April 23, 2019, a withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of the State Administration of Taxation, or SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty, one such requirement is that the taxpayer must be the "beneficiary owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Announcement of the State Administration of Taxation on Issues concerning the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) promulgated on February 3, 2018 and became effective on April 1, 2018, defined the "beneficial owner" as a person who owns or controls income or the rights or property based on which the income is generated, and introduced various factors to adversely impact the recognition of such "beneficiary owners". On August 27, 2015, SAT issued the Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (《國家稅務總局關於發布〈非居民納

稅人享受稅收協定待遇管理辦法〉的公告》), effective on November 1, 2015 and amended on June 15, 2018 and October 14, 2019 (the last amendment came into effect on January 1, 2020), which applies to entitlement to tax treaty benefits by non-resident taxpayers incurring tax payment obligation in the PRC. According to the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties, non-resident taxpayers who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant materials stipulated in Article 7 of the Measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

Value-added Tax (VAT)

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 revised on February 6, 2016 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale services, intangible assets, immovables, and the importation of goods are required to pay value-added tax (the "**VAT**").

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

Land Appreciation Tax (LAT)

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

LABOR PROTECTION

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

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and implemented on January 22, 1999 and amended on March 24, 2019 by the State Council, the Interim Measures Concerning the Maternity Insurance of Employees of Enterprises (《企業職工生育保險試行辦法》) promulgated on December 14, 1994 and implemented on January 1, 1995 by former Ministry of Labor, the Regulation on 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, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and then, upon the examination by such administrative center of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

INTELLECTUAL PROPERTY RIGHTS

Regulations on Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated in August 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013, and latest amended on April 23, 2019 and came into effect on November 1, 2019) and Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on August 3, 2002 by the State Council and amended on April 29, 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in China. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

PRC MERGER & ACQUISITION

On October 8, 2016, Ministry of Commerce issued the Interim Administrative Measures for the Recordfiling of the Incorporation and Change of Foreign-invested Enterprises (the "**Circular 6**") (《外商投資企業設立及變更備案管理暫行辦法》) which took effect on the same day and amended on July 30, 2017 and further amended on June 29, 2018. According to the Circular 6, where a non-foreign-invested enterprise changes into a foreign-invested enterprise which is not involved in special access administrative measures prescribed by the PRC government due to acquisition, consolidation by a merger or otherwise, which is subject to record-filing as stipulated in the Circular 6, it shall complete the record-filing formalities for incorporation and submit the Incorporation Application in accordance with Circular 6. On December 30, 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced Circular 6. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

MANAGEMENT

Board of Directors

Our Board consists of nine members (including three independent non-executive Directors).

Overview

As of the date of this offering circular, the Directors are as follows:

Name	Age	Title
Mr. Shum Tin Ching	61	Chairman and Non-executive Director
Mr. Zhang Yi	48	Executive Director and Vice Chairman
Mr. Huang Fuqing	58	Executive Director and Vice Chairman
Mr. Wang Jianfeng	52	Vice President and Executive Director
Ms. Cheuk Hiu Nam	46	Joint Company Secretary and Executive Director
Mr. Shen Xiaodong	36	Non-executive Director
Mr. Tai Kwok Leung, Alexander . .	62	Independent Non-executive Director
Dr. Cheung Wai Bun, Charles	83	Independent Non-executive Director
Mr. Gu Yunchang	75	Independent Non-executive Director

Mr. Shum Tin Ching

Mr. Shum Tin Ching, also known as Shen Yuxing, is the Chairman of our Board, the chairman of our Nomination Committee and the founder of our Group. Mr. Shum was appointed as a Director on May 5, 2015 and designated as the non-executive Director on July 27, 2015. Mr. Shum has approximately 22 years of experience in the industry of real estate development. He is the founder of Jia Yuan Chuangsheng Holding Group Co., Ltd (佳源創盛控股集團有限公司)("Jia Yuan Chuangsheng") and served as a director since April 1995. Mr. Shum is currently an executive director of Boyuan Holdings Limited (stock code: BHL), which was listed on the Australian Securities Exchange on October 31, 2016. Mr. Shum is also the sole director of our controlling shareholder, Mingyuan Investment since May 4, 2015. In December 1986, he earned a diploma in Industrial Enterprise Management from Zhejiang Broadcasting and Television College (浙江廣播電視大學). He was recognized as a senior economist by Human Resource Department of Zhejiang Province (浙江省人事廳) in December 2006.

Mr. Zhang Yi

Mr. Zhang Yi was appointed as a vice chairman and an executive Director of the Company on February 17, 2019. He is primarily responsible for operation and overall management for the Group. Mr. Zhang has extensive experience in corporate management, industrial investment, mergers and acquisitions, operational integration and capital operation of listed companies. Prior to joining the Group, from August 2016 to January 2019, Mr. Zhang was an executive director and the chief executive officer of Grandland Holdings Group Co., Ltd. (廣田控股集團有限公司); he was also the chairman of Guangtian Investment Co., Ltd. (廣田投資有限公司) and the chairman of Shenzhen Wanding Futong Equity Investment Management Co., Ltd. (深圳萬鼎富通股權投資管理有限公司). Mr. Zhang served HNA Group Co., Ltd. (中國海航集團有限公司) from July 1995 to August 2016 and held various positions, which included: a project manager, a manager and a general manager assistant of the planning and finance department of Hainan Airlines, the financial controller and the general manager of Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限公司), the financial controller and the general manager of the planning and finance department of Hainan Airlines Holdings Co., Ltd. (海南航空控股股份有限公司)(formerly known as Hainan Airlines Co., Ltd. (海南航空股份有限公司)) (SHA: 600221), which is listed on the Shanghai Stock Exchange, a vice president and the financial controller of Haihang Tourism Holdings (Group) Co., Ltd. (海航旅遊控股(集團)有限公司), the chairman and the chief executive officer of HNA Hotel Holdings (Group) Co., Ltd. (海航酒店控股(集團)有限公司), the chairman and the chief executive officer of Haihang Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司), the chairman and the chief executive officer of Haihang Commerce Holdings

(Group) Co., Ltd.(海航商業控股(集團)有限公司) and the chairman, the executive chairman, the chief executive officer and the president of Haihang Industry Holdings (Group) Co., Ltd.(海航實業控股(集團)有限公司). Mr. Zhang obtained his bachelor's degree in Economics from Wuhan University in June 1995 and his EMBA from Cheung Kong Graduate School of Business(長江商學院) in December 2006. He is now pursuing his EMBA with Tsinghua University PBC School of Finance(清華大學五道口金融學院). He became a senior accountant in July 2005.

Mr. Huang Fuqing

Mr. Huang Fuqing was appointed as an executive Director of our Board on July 27, 2015 and appointed as the Vice Chairman of our Board on August 19, 2016. Mr. Huang has approximately 21 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan since December 2014 and the general manager in Nanjing Xinhaoning since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan. Mr. Huang worked in Zhejiang Jiayuan Group from January 2011 till he resigned from the position of the executive general manager in December 2014. From January 2010 to December 2010, he was the general manager of Changzhou Tian Yu. From December 2002 to December 2009, he was the general manager of Changzhou Zhongchuang Property Development Co., Ltd(常州市中創房地產開發有限公司). From December 1998 to December 2002, he was the manager of Changzhou City Changxin Property Development Co., Ltd(常州市常信房地產開發有限公司).

Mr. Wang Jianfeng

Mr. Wang Jianfeng was appointed as a vice president and an executive Director on July 27, 2015. Mr. Wang has approximately 28 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. From June 2012 to February 2013, he was the deputy general manager of the strategic development centre of Zhejiang Jia Yuan Group and from December 2009 to June 2012, he was the general manager of Huzhou Xinyuan Construction Management Co., Ltd(湖州鑫源建設管理有限公司). From July 2009 to November 2009, he was the general manager of Jia Yuan Chuangsheng and from 2006 to 2008, he was the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd(杭州銀溪九龍房地產開發有限公司). From 1998 to the end of 2005, he was the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd(杭州三優房地產開發有限公司), and from 1991 to 1998, he was the construction team leader of Shanghai Branch of Ganjianyi Company(甘建一公司上海分公司). In September 1990, Mr. Wang earned a diploma in Industrial and Civil Architecture from Shanghai Architecture and Engineering College(上海建築工程學院).

Ms. Cheuk Hiu Nam

Ms. Cheuk Hiu Nam was appointed as an executive Director and a joint company secretary on July 27, 2015 and March 11, 2019, respectively. She is also a member of our Remuneration Committee. Ms. Cheuk has approximately 15 years of experience in management. She has been working as the general manager of Hong Kong Jia Yuan since January 2014. From February 2003 to November 2013, Ms. Cheuk was the Dean of Faculty of Business, the Vice President, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee at Hong Kong Institute of Technology. In May 1995, Ms. Cheuk earned a bachelor degree in Business Administration from The Chinese University of Hong Kong. In December 1997, she earned a master degree of science from University of London and in June 2001, she earned a master degree of science from Pace University (New York).

Mr. Shen Xiaodong

Mr. Shen Xiaodong was appointed as a non-executive Director of the Company on February 17, 2019. Mr. Shen is the son of Mr. Shum Tin Ching, the chairman, a non-executive Director and a controlling shareholder of the Company. Mr. Shen has over 10 years of experience in the real estate development industry. He was a vice president of the Group responsible for corporate strategy from October 2015 to February 2019. Mr. Shen was the general manager of Shanghai Dingyuan Property Development Co., Ltd. (上海定源房地產有限公司), which became a subsidiary of the Group since November 2018, from December 2007 to May 2015. Mr. Shen obtained his bachelor's degree in civil engineering from Zhejiang University City College in 2006 and his master's degree in humanities and social sciences from University of New Castle upon Tyne in 2007.

Mr. Tai Kwok Leung, Alexander

Mr. Tai Kwok Leung, Alexander was appointed as an independent non-executive Director on February 12, 2016, and is the chairman of our Audit Committee and a member of our Remuneration Committee. Mr. Tai has been working as a partner of VMS Securities Limited, a licensed corporation under the Securities and Futures Ordinance to conduct regulated activities since August 2017. Mr. Tai is an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee of G & M Holdings Limited (Stock Code: 6038), an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit committee of Anhui Conch Cement Company Limited (Stock Code: 914) and an independent non-executive director, the chairman of the audit committee, a member of the remuneration committee and nomination committee of Luk Fook Holdings (International) Limited (Stock Code: 590) and independent non-executive director and a member of each of the remuneration committee and audit committee of AAG Energy Holdings Limited (Stock Code: 2686), which are all listed on the Main Board of the Hong Kong Stock Exchange. Mr Tai was formerly a non- executive director of First Credit Finance Group Limited (Stock Code: 8215), which is listed on the GEM of the Hong Kong Stock Exchange, from September 2010 to April 2013 and an independent non-executive director of Honghua Group Limited (Stock Code: 196), which is listed on the Main Board of the Hong Kong Stock Exchange, from January 2008 to March 2014. Mr. Tai was also formerly a director of Investec Capital Asia Limited from August 2007 to July 2017. Mr. Tai is a member of Shandong Committee of the Chinese People's Political Consultative Conference. In April 1982, he earned a bachelor degree in Commerce and Administration from the Victoria University of Wellington in New Zealand. In October 1983, he became an associate member of the Hong Kong Institute of Certified Public Accountants.

Dr. Cheung Wai Bun, Charles

Dr. Cheung Wai Bun, Charles was appointed as an independent non-executive Director on February 12, 2016, and is the chairman of our Remuneration Committee and a member of our Audit Committee and our Nomination Committee. Dr. Cheung is currently working as a director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd (首都銀行(中國)有限公司), a council member of the Hong Kong Institute of Directors, a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Currently, Dr. Cheung is chairman of Joy Harvest International Limited. Dr. Cheung is an independent non-executive director of Pioneer Global Group Limited (stock code: 224), Universal Technologies Holdings Limited (stock code: 1026), China Financial International Investments Limited (stock code: 721), Modern Dental Group Limited (stock code: 3600), China Taifeng Beddings Holdings Limited (Stock Code: 873) and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), which are all listed on the Main Board of the Hong Kong Stock Exchange. He is also a non-executive director of Galaxy Entertainment Group Limited (stock code: 27), which is listed on the Main Board of the Hong Kong Stock Exchange, and an independent non-executive director of Yin He Holdings Limited (stock code: 8260), which is listed on the GEM of the Hong Kong Stock Exchange. Dr. Cheung was formerly a director and supervisor of audit committee of China Resources Bank of Zhuhai Co., Ltd. from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (stock code: 2727 (Hong Kong) from November 2007 to February 2014 and A Stock 601727 (Shanghai)) from April 2005 to February 2014, which is listed on the Main Board of the Hong Kong Stock Exchange and Shanghai Stock Exchange. He was an independent non-executive director and Co-chairman of the board of directors of Grand T G Gold Holdings Limited (stock code: 8299), which is listed on the GEM of the Hong Kong Stock Exchange, from July 2009 to March 2016. He was an executive director and the chairman of the board of directors of Roma Group Limited (Stock Code: 8072), from June 2017 to December 2017, which is listed on the GEM of the Hong Kong Stock Exchange. Dr. Cheung earned a bachelor of science degree in Accounting and Finance and a master degree in Business Administration from New York University U.S.A. in February 1960 and June 1962, respectively. In 1984, Dr. Cheung earned an honorary doctor's degree from John Dewey University of USA.

Mr. Gu Yunchang

Mr. Gu Yunchang, also known as Gu Yongchuang, was appointed as an independent non-executive Director on February 12, 2016 and is a member of our Audit Committee and our Nomination Committee. From 2006 to May 2013, Mr. Gu was the vice chairman of the China Real Estate Research Association (中國房地產研究會) and from 1998 to 2006, he was the vice chairman and secretary-general of the China Real Estate Association (中國房地產業協會). From December 1988 to July 1998, Mr. Gu was the deputy director at the Policy Research Centre of Ministry of Construction of the PRC (中華人民共和國建設部政策研究中心) and he was the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively. Currently, Mr. Gu is an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (stock code: 884) and Sunshine 100 China Holdings Ltd. (stock code: 2608), which are all listed on the Main Board of the Hong Kong Stock Exchange. He is also an independent non-executive director of COFCO Property (Group) Co., Ltd. (stock code: 31) and Zhejiang Yasha Decoration Co., Ltd. (stock code: 2375), which are all listed on the Shenzhen Stock Exchange. Formerly, Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited (stock code: EJ), which is listed on the New York Stock Exchange, from August 2008 to March 2014 and an independent non- executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (stock code: 3377), which is listed on the Main Board of the Hong Kong Stock Exchange, from June 2007 to March 2016. Mr. Gu graduated from Tongji University, specializing in Urban Planning, in July 1966.

Our Board Committees

There are three Board committees: our Audit Committee, our Remuneration Committee and our Nomination Committee.

Audit Committee

Our audit committee was established on February 12, 2016. Our audit committee's specific duties include reviewing and supervising our financial reporting process and internal control system, nominating and monitoring external auditors and providing advice and comments to our Board on matters related to corporate governance. As of the date of this offering circular, the members of our audit committee are as follows:

Name	Title	Position in Audit Committee
Tai Kwok Leung, Alexander	Independent Non-executive Director	Chairman
Gu Yunchang	Independent Non-executive Director	Member
Cheung Wai Bun, Charles	Independent Non-executive Director	Member

Remuneration Committee

Our remuneration committee was established on February 12, 2016. Our remuneration committee's specific duties include making recommendations on the remuneration of our senior management and recommending members of our Board. As of the date of this offering circular, the members of our remuneration committee are as follows:

Name	Title	Position in Remuneration Committee
Cheung Wai Bun, Charles	Independent Non-executive Director	Chairman
Tai Kwok Leung, Alexander	Independent Non-executive Director	Member
Zhang Yi	Vice Chairman and Executive Director	Member

Nomination Committee

Our nomination committee was established on February 12, 2016. Our nomination committee's specific duties include making recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management. As of the date of this offering circular, the members of our nomination committee are as follows:

Name	Title	Position in Nomination Committee
Shum Tin Ching	Chairman and Non-executive Director	Chairman
Cheung Wai Bun, Charles	Independent Non-executive Director	Member
Gu Yunchang	Independent Non-executive Director	Member

Senior Management

Overview

As of the date of this offering circular, the members of our senior management are as follows:

Name	Age	Title
Mr. Zhang Xiang	36	Chief Financial Officer of the Group
Mr. Ma Mingya	48	President of Jiayuan Shanghai Group
Mr. Deng Wenping	53	President of Jiayuan Anhui Group
Ms. Qiu Xiangming	44	Vice President of Jiayuan Ning Gang Group

Mr. Zhang Xiang

Mr. Zhang Xiang is the chief financial officer of the Group primarily responsible for the overall financial operation of the Group. Mr. Zhang has over 14 years of experience in the fields of audit, accounting, financial management as well as acquisition and merger. Prior to joining the Group in February 2019, he served Ernst & Young from 2006 to 2015 with his last position as a senior manager. Mr. Zhang served as the chief financial officer of Shenzhen Grandland Group Co., Ltd. (深圳廣田集團股份有限公司), an enterprise listed on the Shenzhen Stock Exchange (stock code: 002482.SZ), from 2016 to 2018. Meanwhile, from 2017 to 2019, he served as the chairman and executive director of Guangrong Financing Guarantee Co., Ltd. (廣融融資擔保有限公司) and Guangrong Microfinance Co., Ltd. (廣融小額貸款有限公司).

Mr. Zhang graduated from Shanghai University of Finance and Economics (上海財經大學) and obtained a double bachelor's degree. He became a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 2010 and 2011, respectively.

Mr. Ma Mingya

Mr. Ma Mingya is the assistant executive officer of Jiayuan International Group Limited and the president of Shanghai Jiayuan Hucheng Property Group Co., Ltd.(上海佳源滬城房地產集團有限公司)(known as Jiayuan Shanghai Group for short). Mr. Ma has approximately 23 years of experience in the real estate development industry and has been involved in the Group's business since July 2019. Mr. Ma is primarily responsible for management and overseeing the day-to-day operation and expansion of the Group's real estate development projects located in and around Shanghai. Mr. Ma also serves as the legal person and chairman of Shanghai Xiangyuan Property Co., Ltd.(上海祥源房地產有限公司), the legal person and chairman of Xingzhou Jiayuan Property Development Co., Ltd.(星洲佳源房地產開發有限公司) in Yancheng, Jiangsu Province and the legal person and executive director of Yancheng Xiangyuan Property Co., Ltd.(鹽城祥源房地產有限公司), respectively.

Mr. Ma graduated from Nanjing University(南京大學) in June 2009 and obtained a master's degree in project management. He also obtained a degree in Executive Master of Business Administration (EMBA) at China Europe International Business School(中歐國際工商學院) in October 2011. He has been recognised as a senior engineer by Human Resource Department of Jiangsu Province in the PRC(中國江蘇省人事廳) since December 2009.

Mr. Deng Wenping

Mr. Deng Wenping has served as the president of Anhui Jiayuan Property Group Co., Ltd.(安徽佳源房地產集團有限公司)(known as Jiayuan Anhui Group for short), primarily responsible for management and overseeing the regional property development projects in Anhui Province and Hubei Province. Mr. Deng has approximately 13 years of experience in the real estate development industry. He served as the general manager of Qijiang County Guangyuan Real Estate Development Co., Ltd.(廬江縣廣源置業發展有限公司)(Qijiang Guangyuan) from January 2008 to December 2012. From August 2012 to December 2012, he was responsible for the preliminary preparation work for Jiayuan Anhui project development. He served as the general manager of Bengbu Mingyuan Real Estate Development Company Limited(蚌埠明源房地產開發有限公司)(Bengbu Mingyuan) from January 2013 to October 2017 and the vice president of Jiayuan Anhui Group from November 2017 to August 2018. Prior to this, Mr. Deng had 20 years of experience in the banking industry where he successively held the posts of the director of real estate credit loan department, the general manager of corporation department and the president of the sub-branch at Chaohu Branch of China Construction Bank.

Mr. Deng graduated from the discipline of civil engineering in Chongqing University(重慶大學) in July 1989. He obtained a graduation certificate in an advanced seminar course on chief executive officer (CEO) in the University of Science and Technology of China(中國科學技術大學) in April 2015.

Ms. Qiu Xiangming

Ms. Qiu Xiangming is currently the vice president of Ning Gang Jia Yuan Property Group Co., Ltd.(寧港佳源房地產集團有限公司)(known as Jia Yuan Ning Gang Group for short). Ms. Qiu had served as the assistant executive officer and the general manager of operation management center for Jia Yuan Ning Gang Group from January 2018 to May 2019, and was promoted to the position of vice president of the Group in May 2019. She served as the general manager of Changzhou Jinyuan from February 2014 to March 2018 and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province. Ms. Qiu has approximately 17 years of experience in the real estate development industry. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in

Changzhou. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.(常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009.

Ms. Qiu graduated from Changzhou Institute of Technology(常州工學院)and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Finance Department of the PRC since May 2006.

Compensation

The aggregate amount of fees, salaries and other allowances, performance related bonuses and retirement benefit scheme contributions paid by us to our Directors during the years ended December 31, 2018, 2019 and 2020 were approximately RMB5.5 million, RMB11.2 million and RMB11.1 million (US$1.7 million), respectively.

Share Option Scheme

We adopted a share option scheme (the "Scheme") on February 12, 2016. Under the Scheme, our Directors may grant options to subscribe for our Company's shares to (i) eligible employees, including directors of our Company and its subsidiaries, (ii) any advisers, consultants, suppliers, customers and agents of our Company and its subsidiaries or (iii) any other persons who our Directors expect to contribute to our Group. The Scheme will expire on March 8, 2026.

The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of our Company may not exceed 180,000,000. The number of shares issued and to be issued in respect of which options may be granted to any individual in any one year may not exceed 1.0% of the shares of our Company in issue at any point in time, without prior approval from our shareholders.

Our Directors will determine the period during which an option may be exercised. The exercise price is determined by our Directors and will not be less than the higher of (i) the closing price of our Company's shares on the date of grant, (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant and (iii) the nominal value of our Company's shares.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders' Interests

So far as our Directors are aware, as of December 31, 2020, the interests or short positions of substantial shareholders (other than our Directors and chief executive) in our shares and underlying shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by us according to Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[(1)]	Percentage of interest in the Company[(11)]
Mr. Shum Tin Ching	Interest of a controlled corporation	2,756,308,418[(2)] shares (L)	67.96%
	Beneficial owner	72,001,718[(3)] shares (L)	1.78%
	Interest of a controlled corporation	500,000,000[(2),(4)] shares (S)	12.33%
Ms. Wang Xinmei[(4)]	Interest of spouse	2,828,310,136 shares (L)	69.74%
	Interest of spouse	500,000,000[(7)] shares (S)	12.33%
Galaxy Emperor Limited[(5)]	Interest of a controlled corporation	2,756,308,418 shares (L)	67.96%
	Interest of a controlled corporation	500,000,000[(7)] shares (S)	12.33%
China Jiayuan Group Limited[(5)]	Interest of a controlled corporation	2,756,308,418 shares (L)	67.96%
	Interest of a controlled corporation	500,000,000[(7)] shares (S)	12.33%
Mingyuan Investment[(6)]	Beneficial owner	2,756,308,418 shares (L)	67.96%
	Beneficial owner	500,000,000[(7)] shares (S)	12.33%
CCB International Overseas Limited[(8),(10)]	Person having a security interest in shares	500,000,000[(7)] shares (L)	12.33%
Design Time Limited[(9)]	Beneficial owner	26,228,771 shares (L)	0.65%
CCBI Investments Limited[(9)]	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
CCB International (Holdings) Limited[(8),(9),(10)]	Person having a security interest in shares	500,000,000[(7)] shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
CCB Financial Holdings Limited[(8),(9),(10)]	Person having a security interest in shares	500,000,000[(7)] shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
CCB International Group Holdings Limited[(8),(9),(10)]	Person having a security interest in shares	500,000,000[(7)] shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
China Construction Bank Corporation[(8),(9),(10)]	Person having a security interest in shares	500,000,000[(7)] shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%
Central Huijin Investment Ltd.[(8),(9),(10)]	Person having a security interest in shares	500,000,000[(7)] shares (L)	12.33%
	Interest of a controlled corporation	26,228,771 shares (L)	0.65%

1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.

(2) The disclosed interest represents an interest in the Company held by Mingyuan Group Investment Limited ("Mingyuan Investment"), which is indirectly wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

(3) These shares are wholly owned by Mr. Shum Tin Ching as a beneficial owner.

(4) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.

(5) China Jiayuan Group Limited is a wholly-owned subsidiary of Galaxy Emperor Limited, which is wholly-owned by Mr. Shum Tin Ching.

(6) These shares are held by Mingyuan Investment, which is wholly-owned by China Jiayuan Group Limited.

(7) On December 31, 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company indirectly wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on June 29, 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company.

(8) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(9) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(10) CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..

(11) As of December 31, 2020, the total number of issued shares of the Company was 4,055,734,623.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of December 31, 2020, our total bank loans amounted to RMB7,271.3 million (US$1,114.4 million). In addition, we have also issued corporate bonds and senior notes from time to time. As of December 31, 2020, we had a total amount of RMB8,753.0 million (US$1,341.5 million) of senior notes outstanding. Subsequent to December 31, 2020, we issued the January 2021 Notes and the May 2021 Notes. We set forth below a summary of the material terms and conditions of our material loans, indebtedness and other obligations.

ONSHORE FINANCING

Project Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and trust companies. These loans typically are project loans to finance the construction or the operation of investment properties of our projects (the "project loans") and terms mostly ranging from one to three years, which generally correspond to the construction periods or the operation of investment properties of the particular projects. Certain of our PRC project loans require prepayment of the loan if a certain percentage of GFA of the relevant project has been sold.

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 generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender and/or obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties with the assets funded by the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts;
- reduce their registered capital;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Dividend Restriction

Pursuant to the project loans with certain PRC banks, primarily including China Minsheng Bank and Bank of Communications Limited, some of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower is experiencing a sustained event of default;
- if the borrower is unable to repay principal and interest in accordance with the relevant repayment schedule;
- if the borrowers' after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or
- if the borrower's profit before tax in the relevant accounting period has not been used to pay off the principal, the interest for the current or next interest payment period, or other related expenses due in that accounting period.

Guarantee and security

Certain of our PRC subsidiaries and associates have entered into guarantee or security agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries and associates have guaranteed or provided security including property mortgage, pledge of accounts receivable and share pledge for all liabilities of the subsidiary borrowers under these project loans. We also act as a guarantor in relation to certain of these project loans.

OFFSHORE FINANCING

ICBC Facility

We have entered into a facility agreement with ICBC as agent and other finance parties under the ICBC Facility dated November 28, 2017. The ICBC Facility has a term of 60 months commencing from the date of the facility agreement. As of December 31, 2020, HK$1,984.2 million in principal amount of the loan was outstanding.

Guarantee and security

Certain subsidiaries and associates have guaranteed or provided security including property mortgage, pledge of accounts receivable and share pledge for all liabilities of the subsidiary borrowers under our ICBC Facility. We also act as a guarantor under our ICBC Facility.

Interest

The principal amount outstanding under the ICBC Facility bears interest at a floating rate calculated with reference to the Hong Kong Interbank Offered Rate.

Covenants

The ICBC Facility contains customary covenants and restrictions, including, among other things, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

Events of default

The ICBC Facility contains certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

May 2022 Notes

On May 2, 2019, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$225,000,000 of the May 2022 Notes (the "May 2022 Indenture"). A portion of the May 2022 Notes was used to exchange for all of the outstanding October 2019 Notes. On August 29, 2019, we issued an additional aggregate principal amount of US$25,000,000 of the May 2022 Notes. On October 30, 2022, we repurchased the May 2022 Notes in an aggregate principal amount of US$135,000,000. As of the date of this offering circular, US$103,000,000 principal amount of the May 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the October 2020 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "May 2022 Subsidiary Guarantors"). We refer to these guarantees as the May 2022 Subsidiary Guarantees. Each of the May 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the May 2022 Notes.

Collateral

In order to secure the obligations under the May 2022 Notes, the Company agreed, for the benefit of the holders of the May 2022 Notes, to pledge the capital stock of each May 2022 Subsidiary Guarantor (collectively, the "May 2022 Collateral") in order to secure the obligations of the Company under the May 2022 Notes and the May 2022 Subsidiary Guarantors under the relevant May 2022 Subsidiary Guarantee. The May 2022 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the May 2022 Collateral will be shared on a *pari passu* basis by the holders of the May 2022 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The May 2022 Notes bear an interest rate of 11.375% per annum, payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the May 2022 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related 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 May 2022 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the May 2022 Indenture or the holders of at least 25% of the outstanding May 2022 Notes may declare the May 2022 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding May 2022 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding May 2022 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

The maturity of the May 2022 Notes is May 2, 2022.

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the May 2022 Notes at a redemption price equal to 100% of the principal amount of the May 2022 Notes, subject to certain exceptions.

Holders of the May 2022 Notes may, at their option, require us to repurchase for cash all of their May 2022 Notes, or any portion thereof, on May 2, 2021, at the repurchase price equal to 100% of the principal amount of such May 2022 Notes to be repurchased.

Intercreditor Agreement

On May 2, 2019, Citicorp International Limited, as trustee under the May 2022 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

March 2022 Notes

On July 11, 2019, December 3, 2019 and February 24, 2020, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$322,500,000 of the March 2022 Notes. On October 30, 2022, we repurchased the March 2022 Notes in an aggregate principal amount of US$60,000,000. On February 5, 2021, we repurchased the March 2022 Notes in an aggregate principal amount of US$55,755,000. On March 11, 2021, we further repurchased the March 2022 Notes in an aggregate principal amount of US$61,538,000 following the exercise of a put option pursuant to the terms of the March 2022 Notes. As of the date of this offering circular, US$145,207,000 principal amount of the May 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2022 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "March 2022 Subsidiary Guarantors"). We refer to these guarantees as the March 2022 Subsidiary Guarantees. Each of the March 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the March 2022 Notes.

Collateral

In order to secure the obligations under the March 2022 Notes, the Company agreed, for the benefit of the holders of the March 2022 Notes, to pledge the capital stock of each March 2022 Subsidiary Guarantor (collectively, the "March 2022 Collateral") in order to secure the obligations of the Company under the March 2022 Notes and the March 2022 Subsidiary Guarantors under the relevant March 2022 Subsidiary Guarantee. The March 2022 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the March 2022 Collateral will be shared on a *pari passu* basis by the holders of the March 2022 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The March 2022 Notes bear an interest rate of 13.75% per annum, payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the March 2022 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related 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 2022 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the March 2022 Indenture or the holders of at least 25% of the outstanding March 2022 Notes may declare the March 2022 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding March 2022 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding March 2022 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the March 2022 Notes at a redemption price equal to 100% of the principal amount of the March 2022 Notes, subject to certain exceptions.

Holders of the March 2022 Notes may, at their option, require us to repurchase for cash all of their March 2022 Notes, or any portion thereof, on March 11, 2021, at the repurchase price equal to 102.402% of the principal amount of such March 2022 Notes to be repurchased.

Intercreditor Agreement

On July 11, 2019, Citicorp International Limited, as trustee under the March 2022 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

February 2023 Notes

On October 18, 2019, December 3, 2019, January 21, 2020 and February 6, 2020, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$327,500,000 of the February 2023 Notes. As of the date of this offering circular, all US$327,500,000 of the principal amount of the February 2023 Notes remained outstanding.

Guarantee

The obligations pursuant to the February 2023 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "February 2023 Subsidiary Guarantors"). We refer to these guarantees as the February 2023 Subsidiary Guarantees. Each of the February 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the February 2023 Notes.

Collateral

In order to secure the obligations under the February 2023 Notes, the Company agreed, for the benefit of the holders of the February 2023 Notes, to pledge the capital stock of each February 2023 Subsidiary Guarantor (collectively, the "February 2023 Collateral") in order to secure the obligations of the Company under the February 2023 Notes and the February 2023 Subsidiary Guarantors under the relevant February 2023 Subsidiary Guarantee. The February 2023 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the February 2023 Collateral will be shared on a *pari passu* basis by the holders of the February 2023 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The February 2023 Notes bear an interest rate of 13.75% per annum, payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the February 2023 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay
- dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The February 2023 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the February 2023 Indenture or the holders of at least 25% of the outstanding February 2023 Notes may declare the February 2023 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding February 2023 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding February 2023 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the February 2023 Notes at a redemption price equal to 100% of the principal amount of the February 2023 Notes, subject to certain exceptions.

Holders of the February 2023 Notes may, at their option, require us to repurchase for cash all of their February 2023 Notes, or any portion thereof, on October 18, 2021, at the repurchase price equal to 102.795% of the principal amount of such February 2023 Notes to be repurchased.

Intercreditor Agreement

On October 18, 2019, Citicorp International Limited, as trustee under the February 2023 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

April 2023 Notes

On October 8, 2020 and November 12, 2020, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$300,000,000 of the April 2023 Notes. As of the date of this offering circular, all US$300,000,000 of the principal amount of the April 2023 Notes remained outstanding.

Guarantee

The obligations pursuant to the April 2023 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "April 2023 Subsidiary Guarantors"). We refer to these guarantees as the April 2023 Subsidiary Guarantees. Each of the April 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the April 2023 Notes.

Collateral

In order to secure the obligations under the April 2023 Notes, the Company agreed, for the benefit of the holders of the April 2023 Notes, to pledge the capital stock of each April 2023 Subsidiary Guarantor (collectively, the "April 2023 Collateral") in order to secure the obligations of the Company under the April 2023 Notes and the April 2023 Subsidiary Guarantors under the relevant April 2023 Subsidiary Guarantee. The April 2023 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the April 2023 Collateral will be shared on a *pari passu* basis by the holders of the April 2023 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The April 2023 Notes bear an interest rate of 12.5% per annum, payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the April 2023 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related 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 April 2023 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the April 2023 Indenture or the holders of at least 25% of the outstanding April 2023 Notes may declare the April 2023 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding April 2023 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding April 2023 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the April 2023 Notes at a redemption price equal to 100% of the principal amount of the April 2023 Notes, subject to certain exceptions.

Intercreditor Agreement

On October 8, 2020, Citicorp International Limited, as trustee under the April 2023 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

October 2022 Notes

On October 30, 2020, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$200,000,000 of the October 2022 Notes. As of the date of this offering circular, all US$200,000,000 of the principal amount of the October 2022 Notes remains outstanding.

Guarantee

The obligations pursuant to the October 2022 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "October 2022 Subsidiary Guarantors"). We refer to these guarantees as the October 2022 Subsidiary Guarantees. Each of the October 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the October 2022 Notes.

Collateral

In order to secure the obligations under the October 2022 Notes, the Company agreed, for the benefit of the holders of the October 2022 Notes, to pledge the capital stock of each October 2022 Subsidiary Guarantor (collectively, the "October 2022 Collateral") in order to secure the obligations of the Company under the October 2022 Notes and the October 2022 Subsidiary Guarantors under the relevant October 2022 Subsidiary Guarantee. The October 2022 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the October 2022 Collateral will be shared on a *pari passu* basis by the holders of the October 2022 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The October 2022 Notes bear an interest rate of 12% per annum, payable semi-annually in arrear.

Covenant

Subject to certain conditions and exceptions, the October 2022 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issue disqualified or preferred stock;
- making investments or other specified restricted payments;
- Issuing or selling capital stock of restricted subsidiaries;
- Guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted businesses;
- entering into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with certain shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The October 2022 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the October 2022 Indenture or the holders of at least 25% of the outstanding October 2022 Notes may declare the October 2022 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding October 2022 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding October 2022 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the October 2022 Notes at a redemption price equal to 100% of the principal amount of the October 2022 Notes, subject to certain exceptions.

Intercreditor Agreement

On October 30, 2020, Citicorp International Limited, as trustee under the October 2022 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

January 2021 Notes

On January 21, 2021, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$300,000,000 of the January 2021 Notes. As of the date of this offering circular, all US$300,000,000 of the principal amount of the January 2021 Notes remains outstanding.

Guarantee

The obligations pursuant to the January 2021 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "January 2021 Subsidiary Guarantors"). We refer to these guarantees as the January 2021 Subsidiary Guarantees. Each of the January 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the January 2021 Notes.

Collateral

In order to secure the obligations under the January 2021 Notes, the Company agreed, for the benefit of the holders of the January 2021 Notes, to pledge the capital stock of each January 2021 Subsidiary Guarantor (collectively, the "January 2021 Collateral") in order to secure the obligations of the Company under the January 2021 Notes and the January 2021 Subsidiary Guarantors under the relevant January 2021 Subsidiary Guarantee. The January 2021 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the January 2021 Collateral will be shared on a *pari passu* basis by the holders of the January 2021 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The January 2021 Notes bear an interest rate of 12.5% per annum, payable semi-annually in arrears.

Covenant

Subject to certain conditions and exceptions, the January 2021 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issue disqualified or preferred stock;
- making investments or other specified restricted payments;
- Issuing or selling capital stock of restricted subsidiaries;
- Guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted businesses;
- entering into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with certain shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The January 2021 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the January 2021 Indenture or the holders of at least 25% of the outstanding January 2021 Notes may declare the January 2021 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding January 2021 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding January 2021 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the January 2021 Notes at a redemption price equal to 100% of the principal amount of the January 2021 Notes, subject to certain exceptions.

Intercreditor Agreement

On January 21, 2021, Citicorp International Limited, as trustee under the January 2021 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

May 2021 Notes

On May 17, 2021, we entered into an indenture pursuant to which we issued an aggregate principal amount of US$130,000,000 of the May 2021 Notes. As of the date of this offering circular, all US$130,000,000 of the principal amount of the May 2021 Notes remains outstanding.

Guarantee

The obligations pursuant to the May 2021 Notes are guaranteed by Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited (the "May 2021 Subsidiary Guarantors"). We refer to these guarantees as the May 2021 Subsidiary Guarantees. Each of the May 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium and interest on, and all other amounts payable under, the May 2021 Notes.

Collateral

In order to secure the obligations under the May 2021 Notes, the Company agreed, for the benefit of the holders of the May 2021 Notes, to pledge the capital stock of each May 2021 Subsidiary Guarantor (collectively, the "May 2021 Collateral") in order to secure the obligations of the Company under the May 2021 Notes and the May 2021 Subsidiary Guarantors under the relevant May 2021 Subsidiary Guarantee. The May 2021 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the May 2021 Collateral will be shared on a *pari passu* basis by the holders of the May 2021 Notes and the holders of permitted *pari passu* secured indebtedness.

Interest

The May 2021 Notes bear an interest rate of 11.0% per annum, payable semi-annually in arrears.

Covenant

Subject to certain conditions and exceptions, the May 2021 Indenture contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issue disqualified or preferred stock;
- making investments or other specified restricted payments;
- Issuing or selling capital stock of restricted subsidiaries;
- Guaranteeing indebtedness of restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted businesses;
- entering into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with certain shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The May 2021 Indenture contains certain customary events of default, including default in the payment of principal or premium when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default. If an event of default occurs and is continuing, the trustee under the May 2021 Indenture or the holders of at least 25% of the outstanding May 2021 Notes may declare the May 2021 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we will make an offer to repurchase all outstanding May 2021 Notes at a purchase price equal to 101% of their principal amount.

Delisting Put Option

Upon the occurrence of a delisting event, we will make an offer to repurchase all outstanding May 2021 Notes at a purchase price equal to 101% of their principal amount.

Maturity and Redemption

If we become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax laws, we may redeem the May 2021 Notes at a redemption price equal to 100% of the principal amount of the May 2021 Notes, subject to certain exceptions.

Intercreditor Agreement

On May 17, 2021, Citicorp International Limited, as trustee under the May 2021 Notes, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement.

Other Obligations

We have provided certain guarantees in connection with borrowing and other arrangements of certain of our joint ventures, as described further below. Even though such contingent liabilities are not considered indebtedness of our Group in our consolidated financial statements, they are nevertheless treated as Indebtedness of our Company under the Trust Deed and the indentures of our various senior notes.

Guarantees

As of December 31, 2020, the Group had provided guarantees amounting to approximately RMB10,776.3 million (US$1,651.5 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties.

Our guarantees contain customary covenants and restrictions, including, among other things, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth and consolidated net borrowings.

TERMS AND CONDITIONS OF THE BONDS

The following (other than the words in italics) is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each individual registered bond certificates evidencing the Bonds:

The issue of the US$100,000,000 in aggregate principal amount of 7.00 per cent. Green Convertible Bonds due 2025 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Jiayuan International Group Limited (the "**Issuer**") and the right of conversion into Shares (as defined in Condition 6(A)(v)) was authorised by the board of directors of the Issuer on July 21, 2021. The Bonds are jointly and severally guaranteed by the Subsidiary Guarantors (as defined below). The giving of the Subsidiary Guarantees (as defined below) was authorised by resolutions of the board of directors of each Subsidiary Guarantor on July 21, 2021. The giving of the JV Subsidiary Guarantees (as defined below) was authorised by resolutions of the board of directors of each JV Subsidiary Guarantor on July 21, 2021. The Bonds have the benefit of certain security on the Collateral as set out in Condition 2 and are subject to the terms of the Intercreditor Agreement (as defined below). The granting of such security was authorised by resolutions of the board of directors of the Issuer on July 21, 2021 and by each Subsidiary Guarantor Pledgor on July 21, 2021.

The Bonds are constituted by the trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about July 27, 2021 (the "**Issue Date**") between the Issuer and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated on or about the Issue Date (the "**Agency Agreement**") relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch, as principal paying and conversion agent (the "**Principal Agent**"), Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**") and Citicorp International Limited as registrar (the "**Registrar**") and the other paying agents, conversion agents and transfer agents appointed under it (each a "**Paying Agent**", a "**Conversion Agent**", a "**Transfer Agent**" and together with the Registrar and the Principal Agent, the "**Agents**") relating to the Bonds. References to the "**Principal Agent**", the "**Registrar**" and the "**Agents**" below are references to the principal agent, the registrar and the agents for the time being for the Bonds.

Upon prior written request and satisfactory proof of holding, copies of the Trust Deed and the Agency Agreement are available during normal business hours (being 9.00 a.m. to 3.00 p.m. on weekdays (excluding public holidays) at the principal office for the time being of the Paying Agent (presently at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland) and the specified offices for the time being of each of the Agents or through electronic mail from the Trustee.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered.

1 Form, Denomination and Title

(A) Form and Denomination

The Bonds are in registered form in the denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof (each, an "**Authorised Denomination**"). A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds.

Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A.. The Conditions are modified by certain provisions contained in the Global Certificate.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

2 Status, Guarantees and Security and Negative Pledge

(A) Status

The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

The Bonds will have the benefit of the Collateral (as defined in Condition 2(D) as security for the Issuer's payment obligations and the performance of the Issuer's obligations in respect of the Bonds, the Trust Deed, the Agency Agreement and the Intercreditor Agreement (as defined below) and of the Subsidiary Guarantors' obligations under the Subsidiary Guarantees. The Security is held (pursuant to the terms of the Intercreditor Agreement) by Citicorp International Limited as collateral agent (the "**Collateral Agent**") for the Bonds and the Senior Notes (as defined below), for the benefit of the Bondholders and the holders of the Senior Notes, on a *pari passu* basis.

The initial Subsidiary Guarantors as at the Issue Date are Jiayuan Investment Management Limited, Hong Kong Jia Yuan Holdings Limited and Guo Xiang Property Co., Limited.

(B) Guarantees

(i) Each of the Subsidiary Guarantors shall unconditionally and irrevocably Guarantee the due payment of sums expressed to be payable by the Issuer under the Trust Deed and the Bonds (the "**Subsidiary Guarantees**"). The Subsidiary Guarantee of each Subsidiary Guarantor constitutes the direct, unconditional and unsubordinated obligations of such Subsidiary Guarantor and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of such Subsidiary Guarantor under its Subsidiary Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by the Subsidiary Guarantors on a *pari passu* basis with the obligations of the Issuer under the Existing Notes (together with and any other debt obligations similar to the Existing Notes that the Issuer may issue from time to time and which constitute Permitted Pari Passu Secured Indebtedness (as defined below), the "**Senior Notes**").

(ii) Each of the JV Subsidiary Guarantors shall unconditionally and irrevocably Guarantee the due payment of sums expressed to be payable by the Issuer under the Trust Deed and the Bonds (the "**JV Subsidiary Guarantees**"). The JV Subsidiary Guarantee of each JV Subsidiary Guarantor constitutes direct, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee shall be limited to the JV Entitlement Amount and shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by the JV Subsidiary Guarantors on a *pari passu* basis with the obligations of the Issuer under the Senior Notes.

(iii) The Issuer shall cause each of its other Subsidiaries that Guarantees the obligations of the Issuer under the Senior Notes (as defined above) after the Issue Date to execute and deliver to the Trustee a supplemental trust deed to the Trust Deed pursuant to which such Subsidiary will provide a Subsidiary Guarantee; provided that such Subsidiary will only provide a JV Subsidiary Guarantee if it also only provided a "JV subsidiary guarantee" (as such term is defined in the indentures constituting such Senior Notes) under the Senior Notes. Upon execution of the applicable supplemental trust deed to the Trust Deed, each such Subsidiary will become a "Subsidiary Guarantor" or a "JV Subsidiary Guarantor", as the case may be.

(iv) A Subsidiary Guarantee given by a Subsidiary Guarantor or a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor will be released in relation to the Bonds (a) upon the repayment in full of the Bonds, at maturity or through redemption, repurchase or otherwise, of the Bonds, (b) when no Bonds remain outstanding or (c) upon the release of the Guarantee given by such Subsidiary Guarantor or JV Subsidiary Guarantor under the terms of the Senior Notes. For the avoidance of doubt, in the event the Issuer has repaid or defeased in full, at maturity or through redemption, repurchase, defeasance in accordance with the terms of the Senior Notes or otherwise, all outstanding Senior Notes, all Subsidiary Guarantees or JV Subsidiary Guarantees under the Bonds will also be released.

(v) No release and discharge of the Subsidiary Guarantor from its Subsidiary Guarantee or the JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the holders of Bonds if a Default or Event of Default shall have occurred and be continuing under these Conditions or the Trust Deed as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and until the Issuer shall have delivered to the Trustee an Officers' Certificate stating that all conditions precedent provided for in these Conditions and the Trust Deed relating to such release and discharge have been complied with and that such release and discharge is authorised and permitted under these Conditions and the Trust Deed.

(C) Security

(i) The obligations of the Issuer under the Bonds and the Subsidiary Guarantors under the Subsidiary Guarantees will be secured by pledges by the Issuer and the Subsidiary Guarantor Pledgors of the Capital Stock of the Subsidiary Guarantors and the JV Subsidiary Guarantors owned by the Issuer or the Subsidiary Guarantor Pledgors (subject to the Intercreditor Agreement (as defined below)) on the Issue Date. On or prior to the Issue Date, the Trustee on behalf of the Bondholders will accede to the intercreditor agreement dated April 6, 2017 between, among others, the Issuer, the Subsidiary Guarantor Pledgors and the Collateral

Agent (as supplemented by such accession deeds and as supplemented or amended from time to time, the "**Intercreditor Agreement**") pursuant to which the Bondholders will be entitled to share in the benefit of the pledge of Collateral on a *pari passu* basis with the holders of the Senior Notes and the holders of any Permitted Pari Passu Secured Indebtedness (as defined below). The Intercreditor Agreement also provides for the conditions under which any lien on such Collateral may be released, and for the conditions under which the Collateral Agent will take enforcement actions with respect to such Collateral.

(ii) On or after the Issue Date, the Issuer and each Subsidiary Guarantor Pledgor may create Further Security Interests on the Collateral *pari passu* with the Lien for the benefit of the Bondholders to secure indebtedness of the Issuer (including additional Bonds issued under Condition 17) and any Pari Passu Guarantee of a Subsidiary Guarantor Pledgor with respect to such indebtedness (such indebtedness of the Issuer and any such Pari Passu Guarantee, "**Permitted Pari Passu Secured Indebtedness**"); provided that (1) the holders of such indebtedness (or their representative) become party to the Intercreditor Agreement; (2) the agreement in respect of such indebtedness contains provisions with respect to releases of Collateral that are substantially similar to and no more restrictive on the Issuer and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (3) the Issuer and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Officers' Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents. The Trustee or the Collateral Agent, as the case may be, will be permitted and authorised, without the consent of any Bondholder, to enter into the Security Documents and the Intercreditor Agreement or any amendment thereto or to the Trust Deed and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this Condition 2(C)(ii) and the terms of the Trust Deed (including, without limitation, the appointment of any security or collateral agent under the Intercreditor Agreement to hold the Collateral on behalf of the Bondholders, the holders of the Senior Notes and any holders of other Permitted Pari Passu Secured Indebtedness).

(iii) Subject to the provisions of the Intercreditor Agreement, the pledge of the Collateral will be released in relation to the Bonds (a) upon the repayment in full of the Bonds, at maturity or through redemption, repurchase or otherwise, of the Bonds, (b) when no Bonds remain outstanding or (c) upon the release of the pledge of the Collateral under the terms of the Senior Notes. For the avoidance of doubt, in the event the Issuer has repaid or defeased in full, at maturity or through redemption, repurchase, defeasance in accordance with the terms of the Senior Notes or otherwise, all outstanding Senior Notes, the pledge of the Collateral will also be released in relation to the Bonds.

(iv) The Trustee and the Collateral Agent shall comply with a request to release the security interest over any of the Collateral under this Condition 2(C) if the conditions precedent to such release set forth in these Conditions and the Trust Deed have been complied with, as evidenced by an Officers' Certificate from the Issuer, and the Trustee and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of these Conditions, the Trust Deed, the Intercreditor Agreement and the Security Documents.

(D) Definitions

In these Conditions:

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) 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.

"**Board of Directors**" means the board of directors elected or appointed by the stockholders of the Issuer to manage the business of the Issuer 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 Bonds are to be made) are authorised by law or governmental regulation to close.

"**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 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 direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Issuer consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Issuer outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Issuer;

(4) individuals who on the Issue Date constituted the Board of Directors of the Issuer (together with any new directors whose election to the Board of Directors was approved by a vote of a majority of the directors then still in office who were either directors on the Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Issuer then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline.

"**Collateral**" means all collateral securing, or purported to be securing, directly or indirectly, the Bonds, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of each initial Subsidiary Guarantor owned by the Issuer or a Subsidiary Guarantor.

"**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 on the Issue Date, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**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.

"**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 Issuer 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 Issuer having obtained such applicable approval or registration.

"**Existing Notes**" means (i) the 11.375% senior notes due 2022 issued by the Issuer pursuant to an indenture dated May 2, 2019, as amended and supplemented from time to time, (ii) the 13.75% senior notes due 2022 issued by the Issuer pursuant to an indenture dated July 11, 2019, as amended and supplemented from time to time, (iii) the 13.75% senior notes due 2023 issued by the Issuer pursuant to an indenture dated October 18, 2019, as amended and supplemented from time to time, (iv) the 12.5% senior notes due 2023 issued by the Issuer pursuant to an indenture dated October 8, 2020, as amended and supplemented from time to time, (v) the 12.0% senior notes due 2022 issued by the Issuer pursuant to an indenture dated October 30, 2020, as amended and supplemented from time to time, (vi) the 12.5% senior notes due 2023 issued by the Issuer pursuant to an indenture dated January 21, 2021, as amended and supplemented from time to time, and (vii) the 11.0% senior notes due 2024 issued by the Issuer pursuant to an indenture dated May 17, 2021, as amended and supplemented 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 recognized international standing appointed by the Issuer.

"**GAAP**" means the Hong Kong Financial Reporting Standards ("**HKFRS**") or such 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.

"**Holder**" means the Person in whose name a Bond is registered.

"**Indenture**" means each of the respective indentures governing the Existing Notes.

"**Independent Third Party**" means any Person that is not an Affiliate of the Issuer.

"**Investment Grade**" means 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 the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Issuer as having been substituted for Moody's.

"**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 Issuer and (ii) a percentage equal to the direct equity ownership percentage of the Issuer and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"**JV Subsidiary Guarantee**" has the meaning given to it in Condition 2(B).

"**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.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Officer**" means one of the executive officers of the Issuer 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, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor under these Conditions and the Trust Deed, "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.

"**Pari Passu Guarantee**" means a Guarantee by the Issuer, any Subsidiary Guarantor or any JV Subsidiary Guarantor of indebtedness of the Issuer (including additional Bonds issued under Condition 17), any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided that* (1) the Issuer and such Subsidiary Guarantor or JV Subsidiary Guarantor were permitted to incur such indebtedness under these Conditions and (2) such Guarantee ranks *pari passu* with the Bonds, 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 Holders**" means any or all of the following:

(1) Mr. Shum Tin Ching;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(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) or (3).

"**Permitted Pari Passu Secured Indebtedness**" has the meaning set forth under Condition 2(C).

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"**PRC**" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"**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 any other class of Capital Stock of such Person.

"**Qualified Exchange**" means either (1) The New York Stock Exchange, the London Stock Exchange, the Hong Kong Stock Exchange, 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 Moody's, provided that if Moody's shall not make a rating of the Bonds publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for Moody's.

"**Rating Category**" means (1) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (2) the equivalent of any such category of Moody's used by another Rating Agency. In determining whether the rating of the Bonds has decreased by one or more gradations, gradations within Rating Categories ("1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody's, a decline in a rating from "Ba1" to "Ba2," as well as from "Ba3" to "B1," will constitute a decrease of one gradation).

"**Rating Date**" means 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 Issuer or any other Person or Persons to effect a Change of Control.

"**Rating Decline**" means in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Issuer or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Issuer is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event that the Issuer is rated by the Rating Agency on the Rating Date as Investment Grade, such rating of the Issuer by the Rating Agency shall be below Investment Grade; or

(b) in the event that the Issuer is rated below Investment Grade by the Rating Agency on the Rating Date, such rating of the Issuer by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Secured Liabilities**" means, collectively, the obligations under the Trust Deed, the Indentures, the Permitted Pari Passu Secured Indebtedness and the Security Documents.

"**Security Documents**" means, collectively, the pledge agreements, the Intercreditor Agreement and any other agreements or instruments that may evidence or create any security interest in favour of the Trustee, the Collateral Agent, the holders of Secured Liabilities and/or any Bondholders in any or all of the Collateral.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**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,; provided that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

"**Subsidiary Guarantee**" means any Guarantee of the obligations of the Issuer under the Trust Deed and the Bonds by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Bonds pursuant to the Trust Deed and the Bonds; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Bonds or (b) any JV Subsidiary Guarantor.

"**Subsidiary Guarantor Pledgor**" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Issuer under the Bonds and the Trust Deed and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Trust Deed and the Bonds.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the board of directors of the Issuer in the manner provided in the indentures in respect of the Senior Notes; and (2) any Subsidiary of an Unrestricted Subsidiary.

"**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.

3 Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Bonds may, subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the relevant Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of Bonds will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only some of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or, as the case may be, any other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 6, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent, with whom a Certificate is deposited in connection with a transfer or conversion is located.

(D) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (a) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (c) such regulations as the Issuer may from time to time agree with the Registrar and the Trustee (and as initially set out in the Agency Agreement).

(E) Restricted Transfer Periods

No Bondholder may require the transfer of Bonds to be registered (a) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (b) after a Conversion Notice (as defined in Condition 6(B)(i)) has been delivered with respect to the Bonds; or (c) after a Relevant Event Put Exercise Notice (as defined in Condition 8(D) has been deposited in respect of such Bonds pursuant to Condition 8(D). Each such period is a "**Restricted Transfer Period**".

(F) Regulations

All transfer of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder) by the Registrar to any Bondholder upon request in writing and proof of holding.

4 Covenants

(A) Negative pledge

The Issuer undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bonds or otherwise under the Trust Deed, it will not, and will procure that none of its Subsidiaries (other than any Unrestricted Subsidiary, Listed Subsidiary or Exempted Subsidiary) will, create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness (except for any Further Security Interest that is permitted by these Conditions or permitted under the Senior Notes) unless, at the same time or prior thereto, the Issuer's obligations under the Bonds are secured equally and rateably by the same Security Interest or, at the option of the Issuer, by such other security, guarantee, indemnity or other arrangement which in the opinion of the Trustee shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution of the Bondholders.

In these Conditions:

(i) any reference to "**Further Security Interest**" is to a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other arrangement having a similar economic effect;

(ii) any reference to "**Security Interest**" is to a mortgage, charge, pledge, lien or security interest securing any obligation of any person; and

(iii) any reference to "**Relevant Indebtedness**" is to any future or present indebtedness incurred outside the PRC which is in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities which are, or are issued with the intention on the part of issuer thereof that they should be, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement), which for the avoidance of doubt does not include indebtedness under any bilateral, syndicated or club loan or loan facility.

(B) NDRC Post-Issuance Filing

The Issuer undertakes that it will, within the prescribed timeframe after the Issue Date, file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015] 2044號））(the "**NDRC Circular**") issued by the NDRC and effective as of 14 September 2015, the Approval of Foreign Debt Quota Administration Reform Trial Enterprise (Second Batch) for 2017 issued by the NDRC on 22 March 2017 and any implementing rules and/or regulations as issued by the NDRC from time to time (the "**NDRC Post-Issuance Filing**").

The Trustee shall have no obligation or duty to monitor or ensure that the NDRC Post-Issuance Filing is filed with the NDRC or completed within the prescribed timeframe in accordance with these Conditions, the NDRC Circular and/or any other applicable PRC laws and regulations or to assist with the NDRC Post-Issuance Filing or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issuance Filing, and shall not be liable to the Issuer, the Bondholders or any other person for not doing so.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.00 per cent. per annum payable semi-annually in arrear in equal instalments of U.S.$35 per Calculation Amount (as defined below) on January 27 and July 27 in each year (each an "**Interest Payment Date**"). Each Bond will cease to bear interest:

(a) (subject to Condition 6(b)(iv) (*Interest Accrual*)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date; or

(b) where such Bond is redeemed or repaid pursuant to Condition 8 (*Redemption, Purchase and Cancellation*) or Condition 10 (Events of Default), from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event, such unpaid principal will continue to bear interest at 11.80 per cent. per annum (both before and after judgment) up to but excluding whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (ii) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date, and each such successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the relevant annual rate of interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Conversion

(A) Conversion Right

(i) *Conversion Period*: Subject as provided in these Conditions, the Bonds shall entitle the holder to convert such Bonds into Shares credited as fully paid (as defined in Condition 6(A)(iv)) at any time during the Conversion Period referred to below (the "**Conversion Right**").

Subject to and upon compliance with the Conditions, the Conversion Right in respect of Bonds may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after July 27, 2022 (both days inclusive) to the close of business (at the place where the Certificate evidencing such Bonds is deposited for conversion) on the date falling seven days prior to the Maturity Date (as defined in Condition 8(A)) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter) or, if such Bonds shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof (the "**Conversion Period**").

A Conversion Right may not be exercised (a) in respect of any Bonds that shall have been called for redemption prior to the Maturity Date, up to the close of business on a date no later than seven business days prior to the date fixed for redemption thereof or (b) in respect of Bonds where the holder shall have exercised its right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bonds pursuant to Condition 8(D) or (c) except as provided in Condition 6(A)(iii) following the giving of notice by the Trustee pursuant to Condition 10.

A Conversion Right may not be exercised in relation to any Bonds over the period during which the Issuer's register of shareholders is required under applicable law to be closed (a "**Closed Period**"). The Issuer will give notice of any such Closed Period to the Bondholders, the Trustee and the Conversion Agent not less than seven business days prior to the commencement of each Closed Period. A Conversion Notice deposited during a Closed Period will only be deemed delivered on the business day immediately following the end of that Closed Period, which business day will be (if all other conditions to conversion have been fulfilled) the Conversion Date for such Bonds notwithstanding that such date may fall outside of the Conversion Period. The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$3.50 per Share, but will be subject to adjustment in the circumstances described in Conditions 6(C).

The number of Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds (translated into Hong Kong dollars at the fixed rate of HK$7.7726 = U.S.$1.00 (the "**Fixed Exchange Rate**")) by the Conversion Price in effect on the relevant Conversion Date (as defined below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares*: Fractions of Shares will not be issued on exercise of Conversion Rights and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after July 21, 2021 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in U.S. dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid, provided that such sum exceeds US$10. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i) after the relevant Conversion Date by a U.S. dollar-denominated cheque or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(iii) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall on the date fixed for redemption thereof default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date in accordance with Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(iv) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of par value HK$0.01 each in the share capital of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of such ordinary shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure

(i) *Conversion Notice*: Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Certificate to the specified office of any Conversion Agent during normal business hours between 9.00 a.m. and 3.00 p.m. (at the specified office of the Conversion Agent) accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Conversion Agent, together with (a) the relevant Certificate; and (b) certification by the Bondholder, in the form obtainable from any Conversion Agent, that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been or (where permitted by law) will be so paid and on such other matters as may be required under the laws of the jurisdiction of incorporation of the Issuer or jurisdiction in which the specified office of such Conversion Agent is located. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of such normal business hours between 9.00 a.m. and 3.00 p.m. or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following business day.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorised Denomination. A Conversion Notice, once delivered, shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any such abovementioned certification or any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which the Relevant Stock Exchange (as defined in Condition 6(F) below) is open for the business of dealing in securities.

(ii) *Stamp Duty etc.*: A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and/or capital, stamp, issue and registration and transfer taxes and duties ("**Duties**") arising on such exercise (other than any Duties payable in the Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Relevant Stock Exchange on conversion, being the "**Issuer Duties**") (the "**Taxes**"). The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Shares (the "**Share Transfer Agent**"). The Bondholder (and, if different, the person to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Taxes payable pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid.

If the Issuer shall fail to pay any Issuer Duties, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible for paying any Duties, Taxes, expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Duties are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or any Bondholder to pay such Duties, Taxes, expenses or other amounts.

(iii) *Registration*: Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii) the Issuer will, as soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("**CCASS**") effective from time to time, take all necessary action to procure that Shares are delivered through CCASS for so long as the Shares are listed on the HKSE; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently at Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's obligation to pay the principal and premium (if any) on such converted Bonds.

If the Conversion Date in relation to the conversion of any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective (the "**Relevant Effective Date**") under the relevant Condition (a "**Retroactive Adjustment**"), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as is, together with Shares to be issued on conversion of the Bond(s), equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the Relevant Effective Date (notwithstanding that the Relevant Effective Date falls after the end of the Conversion Period).

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**").

The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date. Upon delivery of Shares in satisfaction of the Conversion Right of any converting Bondholder and the completion of such registration in accordance with this Condition 6(b)(iii), the right of such converting Bondholder to any repayment of the principal, premium, interest or any other amounts under the Bond so converted shall be extinguished.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such Retroactive Adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in U.S. dollars (the "**Equivalent Amount**") equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent

Amount shall be paid by a U.S. dollar-denominated cheque or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) (*Redemption for Taxation Reasons*) or Condition 8(C) (*Redemption at the Option of the Issuer*) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by the Issuer by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment as follows:

(1) **Consolidation, Subdivision, Redesignation or Reclassification**: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

"A" is the nominal amount of one Share immediately after such alteration; and

"B" is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

(2) **Capitalisation of Profits or Reserves***:*

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend(as defined below)) and which would not have constituted a Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

"A" is the aggregate nominal amount of the issued Shares immediately before such issue; and

"B" is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

"A" is the aggregate nominal amount of the issued Shares immediately before such issue;

"B" is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

"C" is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

(3) **Distributions**: If and whenever the Issuer shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

"A" is the Current Market Price per Share on the date on which the Distribution is first publicly announced; and

"B" is the Fair Market Value (as defined below) on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the avoidance of doubt, the final dividend for the year ended December 31, 2020 announced by the Issuer on June 25, 2021 shall not constitute Distribution for the purposes of this Condition 6(C)(3). For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Issuer.

(4) **Rights Issues of Shares or Options over Shares**: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

"A" is the aggregate number of Shares in issue immediately before such announcement;

"B" is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

"C" is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(5) **Rights Issues of Other Securities**: If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or

options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

"A" is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and

"B" is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue or grant are publicly announced or, if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

(6) **Issues at less than Current Market Price**: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

"A" is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

"B" is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and

"C" is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

(7) **Other Issues at less than Current Market Price**: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

"A" is the aggregate number of Shares in issue immediately before such issue;

"B" is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

"C" is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

(8) **Modification of Rights of Conversion etc.**: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

"A" is the aggregate number of Shares in issue immediately before such modification;

"B" is the maximum number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

"C" is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(9) **Other Offers to Shareholders**: If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

"A" is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

"B" is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

(10) **Other Events:** If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving

rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

(D) Undertakings

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

(i) it will (a) maintain a listing for all the issued Shares on the HKSE (as defined in Condition 6(G)), and (b) obtain on or prior to August 27, 2021 and maintain a listing for all the Shares to be issued on the exercise of the Conversion Rights on the HKSE, and if the Issuer is unable to obtain or maintain such listing, to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine (with the prior written consent of the Trustee) and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Shares (as a class) by any of such stock exchange;

(ii) it will use all reasonable endeavours to obtain on or prior to August 27, 2021 and maintain a listing of the Bonds on the HKSE, and if the Issuer is unable to maintain such listing or such listing is unduly onerous, to use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 and to the Trustee of the listing or delisting of the Bonds by any such stock exchange;

(iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds (save for the Taxes specified in Condition 6(B)(ii)); and

(iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

(i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and

(ii) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(E) Provisions Relating to Changes in Conversion Price

(i) *Minor adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee and the Conversion Agent promptly after the determination thereof.

(ii) *Decision of an Independent Investment Bank:* If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 6(C) should be made, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders, the Conversion Agent and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

(iii) *Minimum Conversion Price:* Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal or par value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.

(iv) *Reference to "fixed":* Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(v) *Multiple events:* Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

(vi) *Upward/downward adjustment:* No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee, the Conversion Agent and the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(D)(iii).

(vii) *Trustee and Conversion Agent not obliged to monitor:* Neither the Trustee nor the Conversion Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so or for any delay by the Issuer in making a determination or any erroneous determination in connection with the Conversion Price.

(viii) *Notice of Change in Conversion Price:* The Issuer shall give notice to the Bondholders in accordance with Condition 11 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

(ix) *Share Scheme Shares/Options*: Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Issuer or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee share incentive scheme or plan (and which such scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange) ("**Share Scheme Shares/Options**") unless any grant or issue of Share Scheme Shares/Options (which, but for this provision, would have required adjustment pursuant to Condition 6) would result in the total number of Shares which may be issued upon exercise of such Share Scheme Shares/ Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over 3.0 per cent. of the average number of issued and outstanding Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 3.0 per cent. of the average number of issued and outstanding Shares during the relevant 12-month period shall be taken into account in determining any adjustment of the Conversion Price pursuant to Condition 6.

(F) Definitions

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the HKSE, such other internationally recognised stock exchange which is the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

"**Closing Price**" means, in respect of a Share for any Trading Day, the closing market price quoted by the HKSE or, as the case may be, the Alternative Stock Exchange for such Trading Day;

"**Current Market Price**" means, in respect of a Share on a particular date, the average of the daily Closing Prices of one Share on each of the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Day), such date of announcement; provided that if at any time during such 20 Trading Day period the Shares shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Shares shall have been quoted cum-dividend (or cum-any other entitlement) then:

(a) if the Shares to be issued in such circumstances do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or

(b) if the Shares to be issued in such circumstances rank for the dividend or entitlement in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if on each of the said 20 Trading Days the Shares have been quoted cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share;

"**Distribution**" means, on a per Share basis, (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); or (ii) any cash dividend or distribution (including, without limitation, a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) unless it comprises a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer) where the average purchase or redemption price (before expenses) on any one day in respect of such purchases or redemptions does not exceed 105 per cent. of the Current Market Price either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day;

"**Fair Market Value**" means, for purposes of Condition 6 only, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above in this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

"**HKSE**" means The Stock Exchange of Hong Kong Limited or any successor thereto;

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Issuer and notified, in writing, to the Trustee;

"**PRC**" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;

"**Prevailing Rate**" means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

"**Relevant Cash Dividend**" means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend;

"**Relevant Stock Exchange**" means at any time, in respect of the Shares, the HKSE or the Alternative Stock Exchange;

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(C)(2)(ii));

"**Trading Day**" means a day when HKSE or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; and

References to any issue or offer or grant to Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

7 Payments

(A) Method of Payment

Payment of principal, premium and interest (if any) and any other amount due will be made by wire transfer to the registered account of the Bondholder or, if the Issuer acts as its own paying agent, by U.S. dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder if it does not have a registered account. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

When making payments to Bondholders, fractions of one U.S. cent will be rounded down to the nearest U.S. cent and the Issuer shall not be liable for the payment of any such fractions.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register 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 25 December and 1 January.

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the fifteenth Payment Business Day (as defined in Condition 7(F) below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by wire transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day (as defined below in Condition 7(F)), for value on the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal, premium and interest (if any) if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).

(F) Payment Business Day

In this Condition 7, "**Payment Business Day**" means a day other than a Saturday or Sunday on which commercial banks are open for business in New York and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Partial Payment

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

(H) Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, subject to the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that it will at all times maintain (i) a Principal Agent and (ii) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

8 Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 111.36 per cent. of its principal amount (the "**Redemption Price**") on January 27, 2025 (the "**Maturity Date**"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at their Early Redemption Amount as at such date together with interest accrued but unpaid to such date (if any), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands or the PRC or in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after July 21, 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above of this Condition 8(B) cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to conclusively rely on and accept such certificate as sufficient evidence thereof, in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Bonds at their Early Redemption Amount on the Tax Redemption Date.

If the Issuer issues a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Tax Option Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

(C) Clean up Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (a "**Optional Redemption Notice**") to the Trustee and the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), the Bonds may be redeemed by the Issuer at any time in whole, but not in part, on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their Early Redemption Amount, together with any interest accrued but unpaid up to but excluding the Optional Redemption Date (if any):

(i) at any time after January 27, 2024, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate), for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 5 Trading Days prior to the date of the Optional Redemption Notice, was at least 130 per cent. of the applicable Early Redemption Amount for each Bond divided by the Conversion Ratio (as defined below) then applicable; or

(ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further Bonds issued pursuant to Condition 17).

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive Trading Day period as mentioned in Condition 8(C)(i) above, appropriate adjustments for the relevant days shall be made, as determined by an Independent Investment Bank, for the purpose of calculating the Closing Price for such days.

"**Conversion Ratio**" is equal to the principal amount of each Bond divided by the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then in effect immediately prior to the date upon which notice of such redemption is given.

(D) Redemption for Relevant Event

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all, or some only, of such holder's Bonds on the Relevant Event Put Date at their Early Redemption Amount as at such date, together with interest accrued but unpaid up to but excluding such date (if any). To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Within 14 days of the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 11. The notice regarding the Relevant Event shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to this Condition. Such Notice shall also specify: (a) the date of such Relevant Event and, all information material to Bondholders concerning the Relevant Event; (b) the Relevant Event Put Date; (c) the last date by which a

Relevant Event Put Exercise Notice must be given; (d) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right or Conversion Right; and (e) the information required by Condition 8(G).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur.

For the purposes of this Condition 8(D):

"**Relevant Event**" occurs:

(i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive Trading Days on HKSE or, if applicable, the Alternative Stock Exchange;

(ii) less than 25 per cent. of the Issuer's total number of issued shares are held by public;

(iii) when there is a Change of Control Triggering Event; or

(iv) if listing approval from the HKSE for (a) all Shares to be issued on the exercise of the Conversion Rights or (b) the Bonds, in either case, is not obtained by August 27, 2021.

(E) Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on January 27, 2024 (the "**Put Option Date**") at 107.72 per cent. of the principal amount of the Bonds, together with any interest accrued but unpaid up to but excluding such Put Option Date (if any). To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice (the "**Put Option Notice**") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

(F) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(G) Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(H) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (a) the Conversion Price as at the date of the relevant notice; (b) the last day on which Conversion Rights may be exercised; (c) the Closing Price and Current Market Price of the Shares on the latest practicable date prior to the publication of the notice; (d) the applicable Early Redemption Amount payable; (e) the date for redemption; (f) the manner in which redemption will be effected; and (g) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

(I) Early Redemption Amount

For the purposes of these Conditions, "**Early Redemption Amount**" of a Bond, for each US$200,000 in principal amount of the Bonds, is the amount determined to represent for the Bondholder on the relevant date for determination of the Early Redemption Amount (the "**Determination Date**"), a gross yield of 9.80 per cent. per annum calculated on a semi-annual basis. Neither the Trustee nor any Agent shall be responsible for calculating or verifying the Early Redemption Amount.

The applicable Early Redemption Amount for each US$200,000 in principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards:

$$\textbf{Early Redemption Amount} = \textbf{Previous Redemption Amount} \times (1 + r/2)^{d/p} - \textbf{AI}$$

where:

Previous Redemption Amount = the Early Redemption Amount for each US$200,000 in principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or, if the Bonds are to be redeemed prior to January 27, 2022, US$200,000):

Semi-annual Date	Early Redemption Amount
	(US$)
July 27, 2021	200,000
January 27, 2022	202,800
July 27, 2022	205,737
January 27, 2023	208,818
July 27, 2023	212,050
January 27, 2024	215,441
July 27, 2024	218,997
January 27, 2025	222,728

r = 9.8 per cent. expressed as a fraction.

d = the number of days from and including the immediately preceding Semi-Annual Date (or, if the Bonds are to be redeemed on or before January 27, 2022, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180.

AI = the accrued interest on the principal amount of US$200,000 of a Bond determined in accordance with and pursuant to Condition 5 (*Interest*) from and including the immediately preceding Interest Payment Date (or if the Determination Date is before the first Interest Payment Date, from and including the Issue Date) to but excluding the Determination Date.

9 Taxation

All payments of principal of, and premium (if any) and interest on the Bonds or under the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) 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 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, or any jurisdiction through which payments are made (each, as applicable, a "**Relevant 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 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 Bond 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:

(i) 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 Bond and the Relevant Jurisdiction, other than merely holding such Bond 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 Relevant 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 Bond (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, or interest on, such Bond 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 Bond 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 Issuer, 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 Relevant 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 Bond (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Bond 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 Bonds 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 Relevant 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. As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all Holders of Bonds. Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Bond 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

References in these Conditions to principal, premium and interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(D).

10 Events of Default

The following events will be defined as "**Events of Default**" in these Conditions:

(i) *Non-Payment of principal or premium*: default in the payment of principal of (or premium, if any, on) the Bonds when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; or

(ii) *Failure to deliver Shares*: any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Bonds; or

(iii) *Breach of Other Obligations*: the Issuer or any Subsidiary Guarantor or JV Subsidiary Guarantor does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed (other than a default specified in clause (i) to (ii) 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 per cent. or more in aggregate principal amount of the Bonds; or

(iv) *Cross-Default*: there occurs with respect to any Indebtedness of the Issuer or any Restricted Subsidiary having an outstanding principal amount of US$10.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity, and/or (b) the failure to make a payment of principal when due; or

(v) *Enforcement*: one or more final judgments or orders for the payment of money are rendered against the Issuer or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which is covered by the Issuer's insurance carriers under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(vi) *Proceedings:* an involuntary case or other proceeding is commenced against the Issuer 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 Issuer or any Significant Subsidiary or for any substantial part of the property and assets of the Issuer 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 Issuer or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(vii) *Winding-up:* other than pursuant to a solvent reorganization, the Issuer or any Significant Subsidiary 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 Issuer or any Significant Subsidiary or for all or substantially all of the property and assets of the Issuer or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors;

(viii) *Repudiation – Trust Deed:* 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 Trust Deed, 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;

(ix) *Default*: any default by the Issuer or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(x) *Repudiation – Security Document*: the Issuer or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Trust Deed and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clauses (vii) or (viii) above) occurs and is continuing under the Conditions, the Trustee or the holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the holders), may, and the Trustee at the request of such holders shall (subject to receiving indemnity and/or security and/or pre-funding to its satisfaction), declare the principal of, premium on, and interest (if any) in respect of the Bonds to be immediately due and payable or to enforce the performance of any provision of the Bonds or the Conditions. Upon a declaration of acceleration, such principal of, premium on, and interest (if any) in respect of the Bonds shall be immediately due and payable. If an Event of Default specified in clauses (vii) or (viii) above occurs with respect to the Issuer or any Restricted Subsidiary, the principal of, premium on, and interest (if any) in respect of the Bonds then outstanding shall automatically become and be immediately due and payable without any declaration or any act on the part of the Trustee or any holder.

11 Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.

12 Prescription

Claims in respect of amounts due in respect of the Bonds shall be prescribed and become void unless made as required by Condition 7 within 10 years (in the case of principal or premium) and five years (in the case of default interest) from the appropriate Relevant Date.

13 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Meetings of Bondholders, Modification and Waiver

(A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders (including by way of teleconference or videoconference call) to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the

Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (a) to modify the due date for any payment in respect of the Bonds, (b) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B), 8(C) or 8(D); (c) to reduce or cancel the principal amount or Early Redemption Amount payable in respect of the Bonds or changing the method of calculation thereof, (d) to change the currency of denomination or payment of the Bonds, (e) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (f) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 2/3 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(B) Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (a) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Intercreditor Agreement, the Bonds or these Conditions (together the "**Documentation**") which in the Trustee's opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or an error which, in the opinion of the Trustee, is proven, and (b) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any such modification and any authorisation or waiver which is in writing shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11. Notwithstanding any other provision, no modification to the Bonds or the Documentation shall be made without the written consent of the Issuer.

(C) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(A), a modification, waiver or authorisation in accordance with Condition 14(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 11.

15 Enforcement

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 50 per cent. in principal amount of the Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice, in which case such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders.

17 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy of a third party which exists or is available apart from such Act.

19 Governing Law and Submission to Jurisdiction

(A) Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(B) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Conversion Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Conversion Agent together with the relevant conversion notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Conversion Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any alternative clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such alternative clearing system, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions of the Bonds, and such notice shall be deemed to be received by the accountholders on the date of delivery of such notice to Euroclear or Clearstream or the alternative clearing system.

Bondholder's Redemption

The Bondholder's redemption option in Condition 8(D) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions of the Bonds.

Redemption at the Option of the Issuer

The option of the Issuer provided for in Conditions 8(B) and 8(C) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Condition.

Exchange of Bonds Represented by Global Certificates

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any alternative clearing system on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

TAXATION

The following summary of certain Cayman Islands, BVI and Hong Kong tax consequences of the purchase, ownership and disposition of the Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary 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 Bonds and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the application of Cayman Islands, BVI and Hong Kong tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Bonds arising under the laws of any other taxing jurisdiction.

Cayman Islands

Under section 6 of the Tax Concessions Act (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax will not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 26, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

There is no stamp duty payable under laws of the Cayman Islands in relation to any of the documents under the Bonds provided that they are executed and remain outside the Cayman Islands. Certain stamp duties may be applicable on instruments of transfer in respect of a Note if executed in or brought into the Cayman Islands.

British Virgin Islands

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the BVI Subsidiary Guarantors according to the Subsidiary Guarantees.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Bonds) or interest in respect of the Bonds or payments made by us.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

(1) a company carrying on a trade, profession or business in Hong Kong;

(2) a person, other than a company, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of that trade, profession or business; or

(3) a financial institution (as defined in the Inland Revenue Ordinance) and such interest arises through or from the carrying on by the financial institution or its business in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of the Bonds (for so long as the register of holders of the Bonds is maintained outside Hong Kong, as is expected to be the case).

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated July 21, 2021 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue and the Managers severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

Managers	**Principal Amount of Bonds to be Subscribed**
The Hongkong and Shanghai Banking Corporation Limited	US$70,000,000
Valuable Capital Limited	US$20,000,000
BOCOM International Securities Limited,	US$10,000,000
Total	US$100,000,000

The Subscription Agreement provides that the Managers and their respective affiliates, and their respective directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Managers and/or their respective 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. The Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds and the New Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager represents and warrants that it has not offered or sold, and agrees that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of

Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the New Shares. Terms used in this paragraph have the meaning given to them by Regulation S.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area or the United Kingdom. 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, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(iii) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(iv) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("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.

UNITED KINGDOM

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any); and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each Manager has represented, warranted and agreed that: (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Section 309B Notification *– In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds 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).

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Manager represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each Manager represents, warrants and agrees that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan), except as permitted by the securities laws of the PRC.

CAYMAN ISLANDS

Each Manager represents, warrants and agrees that the offer to sell the Bonds is private and not intended for the public and, further that each Manager has not made and will not make any invitation to the public in the Cayman Islands to offer or sell the Bonds.

BRITISH VIRGIN ISLANDS

Each Manager represents, warrants and agrees that the offer to sell the Bonds is private and not intended for the public and, further that each Manager has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Bonds.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds.

The Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. By its purchase of the Bonds, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the Bonds in an offshore transaction in accordance with Regulation S;

2. represented that (a) it is purchasing the Bonds, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion, in each case not with a view to, or for offer or sale in connection with, any distribution of the Bonds in violation of the Securities Act and (b) it and any such account is a purchaser that is outside the United States;

3. acknowledged that the Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable laws of any state or territory of the Unites States and any foreign jurisdiction;

4. agreed that it will inform each person to whom it transfers the Bonds of any restrictions on transfer of such Bonds;

5. understood and agreed that the Bonds will be represented by the Global Bonds and that transfers thereto are restricted as described under "Description of the Bonds – Book-Entry; Delivery and Form;"

6. understood and agreed that if in the future it decides to resell, pledge or otherwise transfer any Bonds represented by the Global Bonds or any beneficial interest in any Bonds represented by the Global Bonds, such Bonds may be resold, pledged or transferred only in accordance with the requirements of the legends set forth in paragraph 7 below;

7. understood that the Bonds represented by the Global Bonds will bear a legend to the following effect unless otherwise agreed to by the Company and the holder thereof:

THIS SECURITY AND THE GUARANTEE RELATED TO THIS SECURITY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED IN THE UNITED STATES UNLESS SUCH SECURITIES AND GUARANTEES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE; and

8. acknowledged that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Agents, the Managers, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and agreed that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Bonds is no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Agents, the Trustee and the Managers; and represented that if it is acquiring any Bonds as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

We have been assigned a long-term corporate credit rating of B2 with a positive outlook by Moody's Investors Service, a long-term issuer credit rating of B with a stable outlook by Standard & Poor's Ratings Services and a long-term foreign-currency issuer default rating of B with a positive outlook by Fitch Ratings Ltd. The Bonds are expected to be rated B3 by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Bonds. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Bonds, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the offering and the Bonds will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Conyers Dill & Pearman as to matters of British Virgin Islands law and Cayman Islands law. Certain legal matters will be passed upon for the Managers by Linklaters as to matters of English law and Hong Kong law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 reproduced in this offering circular have been audited by PricewaterhouseCoopers, as stated in the reports therein and in our annual reports for the years ended December 31, 2019 and 2020.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI and Hong Kong in connection with the issue and performance of the Bonds and the Subsidiary Guarantees. The entering into of the Trust Deed has been authorized by our board of directors on July 21, 2021.

Litigation

Except as disclosed in this offering circular, 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 Bonds or the Subsidiary Guarantees.

No Material Adverse Change

Except as otherwise disclosed in this offering circular, 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 December 31, 2020 that is material in the context of the issue of the Bonds or the Subsidiary Guarantees.

Documents Available

For so long as any of the Bonds are outstanding, copies of the Trust Deed will be available to holders of the Bonds upon prior written request and satisfactory proof of holding, free of charge during normal business hours on any weekday (except public holidays) (i) at the corporate office of the Trustee or (ii) through electronic mail.

For so long as any of the Bonds are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal office of the Company.

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream with the following Common Code and International Security Identification Number:

ISIN: XS2368463779

Common Code: 236846377

Listing of the Bonds

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only as described in this offering circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the correctness of any statements made on opinions or reports contained in this offering circular, 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 circular.

INDEX TO FINANCIAL STATEMENTS

Audited consolidated financial statements as of and for the year ended December 31, 2020[1]

Audited consolidated financial statements as of and for the year ended December 31, 2019[2]

(1) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended December 31, 2020.

(2) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of Jiayuan International Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 191, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- 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 2020, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 matters identified in our audit are summarised as follows:

- Assessment of net realisable value of inventories of properties
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of inventories of properties	
Refer to Note 5 'Critical accounting estimates and judgements' and Note 22 'Inventories of properties' to the consolidated financial statements. Inventories of properties of the Group comprised properties under development ("PUD") and properties held for sale ("PHS") which in total amounted to RMB42,339 million as at 31 December 2020. The carrying amounts of inventories of properties are stated at the lower of cost and net realisable value ("NRV"). Determination of NRV of inventories of properties involved critical accounting estimates on the selling prices, variable selling expenses and, for PUD, the estimated costs to completion. Given the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter. Based on the management's estimation of the NRV of the inventories of properties, a total provision for impairment of RMB436 million was made as at 31 December 2020.	We performed the following audit procedures: (i) Obtained an understanding of the management's internal control over the process in determination of NRV of inventories of properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity and subjectivity. (ii) Assessed the reliability of management's historical NRV assessment by comparing the parameters adopted in previous year to actual sales data in the current year, on a sample basis. (iii) Tested management's key accounting estimates, on a sample basis, for: • Selling prices – we compared the estimated selling prices to the prevailing market prices of comparable properties with similar type, size and location. • Variable selling expenses – we compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in the current year. • Estimated costs to completion for PUD – we compared the amounts to budget approved by management and inspected the related construction contracts; and compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found the key accounting estimates used in the assessment of NRV of inventories of properties were supportable by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 5 'Critical accounting estimates and judgements' and Note 16 'Investment properties' to the consolidated financial statements. Investment properties of the Group amounted to RMB7,927 million as at 31 December 2020. Change in fair value of investment properties of RMB178 million was recognised in the consolidated income statement for the year. The Group's investment properties are measured at fair value model. Management engaged an independent external valuer to assist them to measure the fair values of investment properties. Valuation of investment properties is considered a key audit matter because the determination of fair values for investment properties involved critical accounting judgements and estimates in selection of valuation methodologies and inputs including monthly rentals, term yields, reversionary yields and, for investment properties under construction, the construction costs to be incurred.	We performed the following audit procedures: (i) Obtained an understanding of the management's internal control over the process in determination of the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity and subjectivity; (ii) Evaluated the competence, capabilities, and objectivity of the independent external valuer engaged by the Group; (iii) Assessed the appropriateness of the valuation methodologies applied with the assistance of our internal valuation experts; (iv) Assessed the reasonableness of relevant key assumptions used in the valuations of investment properties including the monthly rental, term yields and reversionary yields, by benchmarking them to relevant comparable data; (v) Compared the construction costs to be incurred to budget approved by the management and inspected the related construction contracts; and (vi) Tested the key inputs used in the valuations, on a sample basis, to supporting evidence including rental contracts, market data and market information of comparable properties obtained from various sources. We found the key judgements and accounting estimates used in the valuation of the investment properties were supportable by available evidence.

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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, 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.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 March 2021

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	6	**18,363,185**	16,070,171
Cost of sales	12	**(12,427,653)**	(10,828,170)
Gross profit		**5,935,532**	5,242,001
Other income	8	**380,098**	308,478
Other gains and losses	9	**852,383**	(221,777)
Net impairment (losses)/reversal on financial assets	3	**(27,974)**	19,942
Fair value change on investment properties	16	**(177,503)**	437,238
Selling and marketing costs	12	**(297,942)**	(303,407)
Administrative expenses	12	**(422,990)**	(492,296)
Finance costs	10	**(317,641)**	(282,698)
Share of results of investments accounted for using the equity method	18	**125,041**	82,056
Profit before taxation		**6,049,004**	4,789,537
Income tax expenses	11	**(2,517,811)**	(2,329,054)
Profit for the year		**3,531,193**	2,460,483
Profit for the year attributable to:			
– Owners of the Company		**3,275,473**	2,050,664
– Non-controlling interests		**255,720**	409,819
		3,531,193	2,460,483
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic and diluted	15	**82.07**	52.03

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**3,531,193**	2,460,483
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
– Exchange differences arising on translation of foreign operations	**(1,821)**	2,511
Total comprehensive income for the year	**3,529,372**	2,462,994
Total comprehensive income for the year attributable to:		
– Owners of the Company	**3,273,652**	2,053,175
– Non-controlling interests	**255,720**	409,819
	3,529,372	2,462,994

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	**2020 RMB'000**	2019 RMB'000
Non-current assets			
Investment properties	*16*	**7,926,545**	7,841,906
Property and equipment	*17*	**123,671**	132,880
Intangible assets		**38,670**	31,328
Right-of-use assets		**9,624**	10,694
Investments accounted for using the equity method	*18*	**2,289,700**	985,051
Financial assets at fair value through profit or loss	*19*	**961,039**	668,204
Deposits paid for acquisitions	*20*	**1,150,157**	1,167,684
Deferred tax assets	*21*	**668,841**	597,494
Trade and other receivables	*23*	**38,450**	124,934
		13,206,697	11,560,175
Current assets			
Inventories of properties	*22*	**42,338,765**	34,112,077
Trade and other receivables	*23*	**5,286,935**	7,177,335
Financial assets at fair value through profit or loss	*19*	**131,880**	168,775
Prepaid income tax		**383,901**	563,705
Restricted/pledged bank deposits	*24*	**1,938,081**	2,123,101
Cash and cash equivalents	*24*	**9,002,740**	6,030,412
		59,082,302	50,175,405
Total assets		**72,288,999**	61,735,580
Current liabilities			
Trade and other payables	*25*	**7,283,549**	6,395,483
Pre-sale deposits received	*26*	**18,136,057**	19,940,467
Current income tax liabilities		**6,558,589**	4,628,119
Bank and other borrowings	*27*	**1,377,858**	4,667,930
Derivative financial instruments	*28*	**190,913**	–
Senior notes	*28*	**5,687,872**	314,084
Lease liabilities		**6,638**	3,597
		39,241,476	35,949,680
Net current assets		**19,840,826**	14,225,725
Total assets less current liabilities		**33,047,523**	25,785,900

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other borrowings	27	11,254,769	7,462,249
Derivative financial instruments	28	–	238,387
Pre-sale deposits received	26	540,412	500,510
Deferred tax liabilities	21	726,512	779,587
Senior notes	28	3,065,145	4,960,692
Lease liabilities		2,957	7,317
		15,589,795	13,948,742
Equity attributable to owners of the Company			
Share capital	29	34,876	33,870
Reserves	30	13,583,354	9,825,610
		13,618,230	9,859,480
Non-controlling interests		3,839,498	1,977,678
Total equity		17,457,728	11,837,158
Total equity and non-current liabilities		33,047,523	25,785,900

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 88 to 191 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf:

Zhang Yi
Director

Cheuk Hiu Nam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				
		Share capital RMB'000	Reserves (Note 30) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020		**33,870**	**9,825,610**	**9,859,480**	**1,977,678**	**11,837,158**
Profit for the year		**–**	**3,275,473**	**3,275,473**	**255,720**	**3,531,193**
Other comprehensive income for the year		**–**	**(1,821)**	**(1,821)**	**–**	**(1,821)**
Total comprehensive income for the year		**–**	**3,273,652**	**3,273,652**	**255,720**	**3,529,372**
Dividends	*14*	**–**	**(391,651)**	**(391,651)**	**–**	**(391,651)**
Issue of shares upon scrip dividend scheme	*29*	**1,006**	**312,371**	**313,377**	**–**	**313,377**
Capital injection from non–controlling interests	*36*	**–**	**592,377**	**592,377**	**866,677**	**1,459,054**
Acquisitions of non–controlling interests	*36*	**–**	**(29,005)**	**(29,005)**	**(30,995)**	**(60,000)**
Acquisitions of subsidiaries	*37*	**–**	**–**	**–**	**768,061**	**768,061**
Transfer of joint ventures to subsidiaries	*37*	**–**	**–**	**–**	**5,857**	**5,857**
Dividends to non–controlling interests	*36*	**–**	**–**	**–**	**(3,500)**	**(3,500)**
Transactions with owners		**1,006**	**484,092**	**485,098**	**1,606,100**	**2,091,198**
At 31 December 2020		**34,876**	**13,583,354**	**13,618,230**	**3,839,498**	**17,457,728**
At 1 January 2019		21,083	9,045,432	9,066,515	1,470,165	10,536,680
Profit for the year		–	2,050,664	2,050,664	409,819	2,460,483
Other comprehensive income for the year		–	2,511	2,511	-	2,511
Total comprehensive income for the year		–	2,053,175	2,053,175	409,819	2,462,994
Dividends	*14*	–	(248,054)	(248,054)	–	(248,054)
Issue of shares upon scrip dividend scheme	*29*	45	15,571	15,616	–	15,616
Capital injection from non-controlling interests		–	28,644	28,644	31,356	60,000
Dividend paid by entities under common control before acquisition		–	(751,766)	(751,766)	(42,259)	(794,025)
Issue of shares for acquisitions of entities under common control		12,742	(12,742)	–	–	–
Acquisitions of non-controlling interests		–	(304,650)	(304,650)	–	(304,650)
Acquisitions of subsidiaries		–	–	–	116,492	116,492
Dividends to non-controlling interests		–	–	–	(7,895)	(7,895)
Transactions with owners		12,787	(1,272,997)	(1,260,210)	97,694	(1,162,516)
At 31 December 2019		33,870	9,825,610	9,859,480	1,977,678	11,837,158

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	*31(a)*	**2,624,551**	8,829,870
Income tax paid		**(628,951)**	(828,531)
Net cash generated from operating activities		**1,995,600**	8,001,339
Cash flows from investing activities			
Deposits paid for trust financing arrangements		**–**	(157,620)
Refund from deposits paid for trust financing arrangements		**–**	377,612
Additions of property and equipment	*17*	**(9,085)**	(25,675)
Additions of intangible assets		**(12,230)**	–
Proceeds from disposal of property and equipment	*31(b)*	**526**	1,265
Net cash flow on disposal of subsidiaries		**–**	(11,971)
Additions of investment properties	*16*	**(232,490)**	(180,590)
Advances to related parties		**(487,330)**	(1,825,715)
Advances to non-controlling interests		**(286,776)**	(562,614)
Repayment from related parties		**538,511**	3,479,249
Repayment from non-controlling interests		**33,470**	34,978
Interest received		**362,289**	318,923
Refund from deposits paid for acquisitions		**–**	79,686
Payment for deposits paid for acquisitions		**(7,169)**	–
Net cash flow on acquisition of subsidiaries	*37*	**222,553**	223,100
Capital injection to investments accounted for using the equity method		**(1,303,496)**	(447,116)
Proceeds from disposal of intangible asset		**–**	11,300
Placement of restricted/pledged bank deposits		**(800,000)**	(930,123)
Withdrawal of restricted/pledged bank deposits		**860,650**	965,974
Purchase of financial assets at fair value through profit or loss		**(152,992)**	(609,014)
Disposal of financial assets at fair value through profit or loss		**9,747**	475,393
Net cash generated from/(used in) investing activities		**(1,263,822)**	1,217,042

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from bank and other borrowings		**5,948,205**	7,819,614
Repayment of bank and other borrowings		**(7,495,093)**	(10,490,267)
Principal elements of lease payments		**(7,619)**	(2,641)
Interest paid		**(2,462,801)**	(1,776,490)
Proceeds from issuance of senior notes	28	**5,178,336**	2,730,999
Repayment of senior notes	28	**(1,394,203)**	(4,644,144)
Contribution from ultimate shareholder		**–**	300,000
Payment for acquisitions of entities under common control		**–**	(300,000)
Advances from related parties		**1,464,523**	234,960
Repayment to related parties		**(103,555)**	(682,959)
Advances from non-controlling interests		**68,860**	148,362
Repayment to non-controlling interests		**(189,546)**	(262,307)
Acquisitions of non-controlling interests		**(60,000)**	–
Dividend paid by entities under common control before acquisition		**–**	(794,025)
Dividends paid to non-controlling interests in subsidiaries		**(3,500)**	(7,895)
Dividends paid		**(78,274)**	(232,438)
Payment of share issuance costs for a subsidiary		**(21,847)**	–
Capital contribution from non-controlling interests		**1,491,409**	60,000
Net cash generated from/(used in) financing activities		**2,334,895**	(7,899,231)
Net increase in cash and cash equivalents		**3,066,673**	1,319,150
Cash and cash equivalents at beginning of year		**6,030,412**	4,599,433
Exchange (losses)/gains on cash and cash equivalents		**(94,345)**	111,829
Cash and cash equivalents at end of year	24	**9,002,740**	6,030,412

The notes on pages 95 to 191 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Jiayuan International Group Limited (the "Company") was incorporated on 5 May 2015 and registered in the Cayman Islands 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. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate holding company is Galaxy Emperor Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder").

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, property investment and provision of property management services.

These consolidated financial statements for the year ended 31 December 2020 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2021.

On 9 December 2020, a subsidiary of the Group, Jiayuan Services Holdings Limited ("Jiayuan Services") issued 150,000,000 new ordinary shares in its initial public offering and listing on the Stock Exchange at the price of HKD3.86 per share, and raised gross proceeds of HKD579,000,000 (equivalent to approximately RMB486,964,000). On 6 January 2021, 11,709,900 additional shares were issued upon the exercise of the over-allotment option in connection with the listing of Jiayuan Services at a price of HKD3.86 per share. Gross proceeds from the additional offering amounted to HKD45,200,214 (equivalent to approximately RMB40,465,000).

1.2 Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL") and investment properties, which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, except for a change of accounting policies explained in Note 2.3 below.

2.1 New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2020. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2.2 New and amended standards and interpretations not yet adopted

New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase two	1 January 2021
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Change in accounting policies

In the consolidated financial statements for the year ended 31 December 2019, individual reserve items were presented separately in the consolidated statement of changes in equity. In preparing the consolidated financial statements for the year ended 31 December 2020, the Group, for easy reading and reducing voluminous details, combined all reserve items into one single item to simplify the presentation of the consolidated statement of changes in equity. Comparative information for the consolidated statement of changes in equity for the year ended 31 December 2019 has been retrospectively restated to conform to the current period presentation. This change in accounting polices has no impact on the results and cashflow of the Group.

2.4 Principles of consolidation and equity accounting

2.4.1 Subsidiaries

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.

2.4.2 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.

2.4.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Principles of consolidation and equity accounting (Continued)

2.4.4 Equity method

Under the equity method of accounting, investments in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of joint ventures and associates in profit or loss, and the Group's share of movements in other comprehensive income of joint ventures and associates in other comprehensive income. When the Group's share of losses in a joint venture and associates equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture and associates 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 associates and its carrying value and recognises the amount adjacent to 'share of results of investments accounted for the equity method' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interests in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4.5 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 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.

2.4.6 Disposals of interest in 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Business combinations

2.5.1 Non-common control business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Business combinations (Continued)

2.5.2 Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

2.5.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2.6 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

2.8 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 are presented in RMB which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains and losses'.

(c) Group companies

The results and financial positions of all the 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 presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. 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 on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land and building	Shorter of the term of lease or 50 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture, fittings and equipment	5–10 years
Computer equipment	3–5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains and losses' in the consolidated income statement.

2.10 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment properties (Continued)

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Property management contracts

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts (6 years).

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. 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 units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL');
- those to be measured subsequently at fair value through other comprehensive income ('FVOCI'); 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 financial 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 FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains and losses'. 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 or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other gains and losses' in the period in which it arises. Interest income from these financial assets is included in the 'other income'.

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 OCI, 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 income statement as 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other gains and losses' in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI 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("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(b) details how the Group determines whether there has been a significant increase in credit risk.

For cash and cash equivalents and restricted/pledged bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantees contracts, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (Continued)

A number of significant judgements are required in measuring the ECL, such as:

i) Determining criteria for significant increase in credit risk;

ii) Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.; and

iii) Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

For the financial instruments subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an instrument is considered to be credit impaired, outlines a 'three-stage' model ECL models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, ECL for financial assets are recognised into the different stages and measured the impairment provisions respectively.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The impairment provisions are measured at an amount equal to the 12-month ECL for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The impairment provisions are measured based on ECL on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The impairment provisions are measured based on ECL on lifetime basis.

For the financial assets at Stage 1 and Stage 2, the interest income is calculated based on its gross carrying amount (i.e. amortised cost) before adjusting for impairment provision using the effective interest method. For the financial assets at Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the ECL for the entire lifetime since initial recognition as purchased or originated credit-impaired financial assets.

There is no significant classification impact of the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period, the change of fair value is recognised immediately in profit or loss within 'other gains and losses'.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 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 comprises cost of land use rights, construction costs, depreciation of machinery and equipment, 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.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.18 Properties held for sale

Properties remaining unsold at year 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Cash and cash equivalents

For purpose of presentation in the consolidated of statement of cash flows, cash and cash equivalent comprise cash on hand held by the Group, deposits held at call with financial institutions, other short-term, highly liquid investments, demand deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.20 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. 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 rights exceeds the measure of the remaining 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.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the consolidated statement of financial position.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Borrowing costs (Continued)

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 adjustments to interest costs include the interest rate differences 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 for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.24 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.25 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, 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 end of the reporting period in the countries where the company and its subsidiaries and associates 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

2.26 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries and performance related bonus, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Performance related bonus is determined by reference to the performance of individuals and market trend. The liabilities are presented within "Trade and other payables" in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits (Continued)

(b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

2.27 Contingent liabilities

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.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision of 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 the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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 buyer obtains control of the asset.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(i) *Sales of properties*

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at a point in time.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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. Revenue of sales of the properties for the Group is recognised at point in time.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) *Property management*

The Group provides property management services which including property management services, value-added services to property developers and community value-added services. Revenue is recognised in the accounting period in which the services are rendered or goods are delivered, and the collectability of related consideration is reasonably assured.

For property management services, the Group bills a fixed amount for services provided on a regular basis and recognises as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to customers, the Group recognises the fee received or receivable from customers as its revenue. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by pre-determined percentage of the total property management fee or amounts received or receivable from customers, as its revenue as an agent for arranging and monitoring the services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(ii) Property management (Continued)

Value-added services to property developers mainly includes consultancy services to property developers and cleaning, greening, repair and maintenance services to property developers at the property pre-delivery stage. The Group agrees the price for each service with the customers upfront and issue the monthly bill to the customers which varies based on the actual level of service completed in that month.

Community value-added services include home living services, community area services such as catering services and sales of goods (mainly groceries and home appliances) to customers. For provision of home living services, revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered. For provision of community area services such as sales of goods and catering, revenue is recognised when the Group has delivered the goods and catering to the purchaser.

Revenue from other sources

Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.29 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Leases

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purposes.

Long-term operating leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 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 incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 16). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

3 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, deposits paid for acquisition restricted/pledged bank deposits, cash and cash equivalent, trade and other payables, bank and other borrowings, senior notes and derivative financial instruments. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (mainly including interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to interest bearing financial assets at FVTPL.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, cash and cash equivalent, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

However, the management will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points (2019:100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

For the years ended 31 December 2020 and 2019, if the floating interest rate had been higher/lower by 100 basis points with all other variables held constant, the profit before taxation would have changed as follows:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Increase/(decrease)		
– 100 basis point higher	**(29,322)**	(20,625)
– 100 basis point lower	**29,322**	20,625

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's restricted/pledged bank deposits and cash and cash equivalents as the directors of the Company consider that the exposure is minimal.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Foreign currency risk

The Group collects most of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are mainly denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2020 and 2019, the Group has certain financial assets and liabilities denominated in foreign currencies, which expose the Group to foreign currency risk and mainly concentrated on the exposure to United States Dollar ("USD"), Hong Kong Dollar ("HKD") and Australian Dollar ("AUD").

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
USD	**467,077**	1,888,234	**10,005,379**	6,085,279
HKD	**1,960,370**	479,830	**2,887,886**	2,503,467
AUD	**680,574**	545,511	**–**	–
	3,108,021	2,913,575	**12,893,265**	8,588,746

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's financial assets and liabilities denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit where RMB strengthen 5% (2019: 5%) against the relevant currency. For a 5% (2019: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before taxation for the year.

	USD Impact		HKD Impact		AUD Impact	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Increase/(decrease) in profit before taxation for the year	**467,915**	209,852	**46,376**	101,182	**(34,029)**	(27,276)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted/pledged bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantees contracts.

Cash and cash equivalents and restricted/pledged bank deposits

The credit risks on cash and cash equivalent, restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with acceptable credit ratings.

Trade receivables

For trade receivables from customers, the Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables collectively. In this regard, the directors of the Company consider that the Group's credit risk is effectively managed.

Other receivables and deposits paid for acquisition

The credit risks of other receivables and deposits paid for acquisitions are managed through an internal process. The credit quality of each counterparty is investigated before credit is granted. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

Financial guarantee contracts

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The directors of the Company considered that the loss allowances on financial guarantee contracts at 1 January 2020 and 31 December 2020 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit 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 significantly reduced.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment

The Group formulates the credit losses of cash and cash equivalents and restricted/pledged bank deposits, trade and other receivables, deposits paid for acquisitions and financial guarantees contracts using ECL models according to HKFRS 9 requirements.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime ECL are provided respectively. The ECL is the result of discounting the product of Exposure at Default (EAD), Probability of Default (PD) and Loss given Default (LGD).

i) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

ii) The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

iii) LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Judgement of significant increase in credit risk ("SICR")

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk when determining the ECL staging for financial assets. Major factor being considered include solvency and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with those at initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly include the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment (Continued)

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debt has overdue for more than 90 days after the contract payment date.
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender.
- The debtor has significant financial difficulties.
- The debtor is likely to go bankrupt or needs other financial restructuring.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macro-economic variables associated with credit risk and ECL for each portfolio. Through regression analysis, the relationship among economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

The Group established the values used for different scenarios. In addition to the base economic scenario, the Group also considers other possible scenarios and relative weightings. The Group regularly reassess the number of scenarios and their attributes. The Group combined statistical analysis results to determine the weights of different scenarios, and also considered the range of possible outcomes represented by each scenario, to determine the final macro-economic assumptions and weights for measuring the relevant ECL.

The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results.

Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment (Continued)

Sensitivity analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forward-looking forecast, the weight probabilities in different scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgments do not have significant impact on the measurement of ECL.

Credit exposure

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements. The Group also assumes credit risk due to financial guarantee contracts.

The following table presents the credit risk exposure of the financial assets under the scope of ECL. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the gross carrying amount of the financial assets:

		As at 31 December	
	Stage	2020 RMB'000	2019 RMB'000
Financial assets at amortised cost			
Restricted/pledged bank deposits	Stage 1	1,938,081	2,123,101
Cash and cash equivalents	Stage 1	9,002,740	6,030,412
Trade and other receivables	Stage 1	4,719,349	6,278,923
Deposits for acquisitions	Stage 1	1,161,656	1,176,508
Financial guarantee contracts	Stage 1	10,776,325	13,289,638

(i) For restricted/pledged bank deposits and cash and cash equivalents, the Group determines the ECL by referring to external credit rating of the related banks

(ii) For trade and other receivables and deposits paid for acquisitions, the Group assesses the ECL with reference to the credit status of the recipients and the past due status of doubtful debtors.

(iii) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

The following tables explain the changes in the gross carrying amount and impairment provision of trade and other receivables and deposits for acquisition of land use right between the beginning and the end of the annual period due to these factors:

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Impairment assessment (Continued)

Trade and other receivables

	For the year ended 31 December 2020				
	Stage	1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	**Stage 1**	**6,278,923**	**(1,559,574)**	**–**	**4,719,349**
Impairment provision	**Stage 1**	**74,654**	**25,299**	**–**	**99,953**

	For the year ended 31 December 2019				
	Stage	1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	Stage 1	10,632,798	(4,353,850)	(25)	6,278,923
Impairment provision	Stage 1	92,141	(17,462)	(25)	74,654

Deposits paid for acquisitions

	For the year ended 31 December 2020				
	Stage	1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	**Stage 1**	**1,176,508**	**(14,852)**	**–**	**1,161,656**
Impairment provision	**Stage 1**	**8,824**	**2,675**	**–**	**11,499**

	For the year ended 31 December 2019				
	Stage	1 January RMB'000	Net increase/ (decrease) RMB'000	Write-offs RMB'000	31 December RMB'000
Gross carrying amount	Stage 1	1,946,727	(770,219)	–	1,176,508
Impairment provision	Stage 1	11,304	(2,480)	–	8,824

No impairment allowance was made on cash and cash equivalents, restricted/pledged bank deposits and financial guarantee contracts at the end of each reporting period as the directors of the Company consider the effect is minimal.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, banks and other borrowings and senior notes which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed/expected repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020					
Trade and other payables (excluding business and other tax payables, payroll payable)	6,479,826	–	–	6,479,826	6,479,826
Lease liabilities	7,179	3,061	94	10,334	9,595
Bank and other borrowings	2,716,196	10,117,136	1,992,805	14,826,137	12,632,627
Senior notes	6,180,809	1,701,528	2,152,124	10,034,461	8,753,017
	15,384,010	11,821,725	4,145,023	31,350,758	27,875,065
Financial guarantee					
– Mortgage guarantees	10,776,325	–	–	10,776,325	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019					
Trade and other payables (excluding business and other tax payables, payroll payable)	5,792,343	–	–	5,792,343	5,792,343
Lease liabilities	5,501	3,631	4,280	13,412	10,914
Bank and other borrowings	5,883,119	5,378,078	2,897,981	14,159,178	12,130,179
Senior notes	805,328	670,805	5,743,048	7,219,181	5,274,776
	12,486,291	6,052,514	8,645,309	27,184,114	23,208,212
Financial guarantee					
– Mortgage guarantees	13,289,638	–	–	13,289,638	–

(d) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

	Fair value as at 31 December		Fair value hierarchy	Valuation techniques, key inputs and relationships of unobservable inputs to fair value
	2020 RMB'000	2019 RMB'000		
Financial assets at fair value through profit or loss:				
Debt instrument in Hong Kong (i)	**263,875**	107,827	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower fair value.
Debt instrument in overseas (i)	**680,560**	545,511	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower fair value.
Deposits paid for life insurance policies (i)	**16,604**	14,866	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments. The higher internal rate of return, the lower fair value.
Listed equity investment in Hong Kong	**131,880**	168,775	Level 1	Quoted bid prices in an active market.
Total	**1,092,919**	836,979		
Derivative financial instruments				
Put options of senior notes recognised	**132,887**	202,910	Level 2	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based on observable inputs and the pure bond value.
Put options of senior notes recognised (ii)	**58,026**	35,477	Level 3	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based on unobservable inputs (including discount rate) and the pure bond value. The higher discount rate, the lower fair value.
Total	**190,913**	238,387		

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2020 and 2019.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(i) Reconciliation of Level 1 fair value measurements of financial assets

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**168,775**	287,612
Additions	**7,174**	14
Disposals	**(8,991)**	(40,292)
Fair value change	**(24,508)**	(82,146)
Exchange differences	**(10,570)**	3,587
Balance at 31 December	**131,880**	168,775

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**668,204**	500,758
Additions	**145,818**	609,013
Disposals	**–**	(517,247)
Fair value change	**28,202**	1,768
Interest income	**107,670**	80,572
Insurance expenses	**(51)**	(295)
Exchange differences	**11,196**	(6,365)
Balance at 31 December	**961,039**	668,204

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 2 fair value measurements of the financial liabilities which is the put options of senior notes recognised as derivative financial instruments

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**202,910**	72,902
Additions	**51,434**	–
Fair value change	**(108,154)**	129,327
Extinguish upon repurchase of senior notes	**(2,756)**	–
Exchange differences	**(10,547)**	681
Balance at 31 December	**132,887**	202,910

(iv) Reconciliation of Level 3 fair value measurements of the financial liabilities which is the put options of senior notes recognised as derivative financial instruments

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**35,477**	106,995
Fair value change	**54,101**	(73,970)
Extinguish upon repurchase of senior notes	**(27,829)**	–
Exchange differences	**(3,723)**	2,452
Balance at 31 December	**58,026**	35,477

The Group consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The fair value of financial assets and financial liabilities other than financial assets at FVTPL and derivative financial instruments of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or the quoted prices in the active market.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category

	As at 31 December 2020	
	At FVTPL RMB'000	At amortised cost RMB'000
Assets as per consolidated statement of financial position		
Trade and other receivables (excluding prepayments)	–	4,619,396
Deposits paid for acquisitions	–	1,150,157
Restricted/pledged bank deposits	–	1,938,081
Cash and cash equivalent	–	9,002,740
Financial assets at fair value through profit or loss	1,092,919	–
Total	1,092,919	16,710,374
Liabilities as per consolidated statement of financial position		
Trade and other payables (excluding business and other tax payables, payroll payables)	–	6,479,826
Lease liabilities	–	9,595
Bank and other borrowings	–	12,632,627
Senior notes	–	8,753,017
Derivative financial instruments	190,913	–
Total	190,913	27,875,065

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category (Continued)

	As at 31 December 2019	
	At FVTPL RMB'000	At amortised cost RMB'000
Assets as per consolidated statement of financial position		
Trade and other receivables (excluding prepayments)	–	6,204,269
Deposits paid for acquisitions	–	1,167,684
Restricted/pledged bank deposits	–	2,123,101
Cash and cash equivalent	–	6,030,412
Financial assets at fair value through profit or loss	836,979	–
Total	836,979	15,525,466
Liabilities as per consolidated statement of financial position		
Trade and other payables (excluding business and other tax payables, payroll payables)	–	5,792,343
Lease liabilities	–	10,914
Bank and other borrowings	–	12,130,179
Senior notes	–	5,274,776
Derivative financial instruments	238,387	–
Total	238,387	23,208,212

4 CAPITAL MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debts include bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalent and restricted/pledged bank deposits.

The directors of the Company review the gearing ratio and capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The calculation of net debts as at 31 December 2020 and 2019 were as follows:

	2020 **RMB'000**	2019 RMB'000
Bank and other borrowings	**12,632,627**	12,130,179
Senior notes	**8,753,017**	5,274,776
Total	**21,385,644**	17,404,955
Less: Cash and cash equivalents	**(9,002,740)**	(6,030,412)
Restricted/pledged bank deposits	**(1,938,081)**	(2,123,101)
Net debts	**10,444,823**	9,251,442
Total equity	**17,457,728**	11,837,158
Gearing ratio	**59.8%**	78.2%

5 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) Valuation of inventories of properties

The Group's inventories of properties are stated at the lower of cost and the net realisable value ("NRV"). The management of the Group make significant judgment on the estimation in determining the NRV of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, management of the Group determines the NRV of these inventories of properties by reference to the estimated costs to completion, selling prices, variable selling expense and, for properties under development, the estimated costs to completion which takes into account a number of factors including the selling prices of pre-sale units in the same project or comparable properties with similar type, size and location, and market conditions in the prevailing real estate markets.

If there is an increase in costs to completion or a decrease in estimated selling prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of estimates of the management of the Group. Based on the management's estimation of the NRV of the inventories of properties, a provision for impairment of RMB436 million (2019: nil) is recognised as expense and included in cost of sales (Note 12).

(b) Valuation of investment properties

The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain estimates under prevailing market conditions. Changes to these estimates may result in changes in the fair value of the investment properties, which will lead to the change of profit for the year.

(c) Estimate of income taxes expenses

Significant judgements are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax expense in the year which such determination is made.

The Group is subject to the land appreciation tax ("LAT") in the PRC. The details of the implementation have been announced by local tax bureaux in certain major cities, however, the Group is in the process of finalising the LAT calculation and payments with local tax bureaux in certain major cities in the PRC. Significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

6 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	2020 RMB'000	2019 RMB'000
Types of goods and services		
Sales of properties	**17,529,537**	15,373,501
Property management services	**579,479**	485,778
Property rental	**254,169**	210,892
	18,363,185	16,070,171
Revenue is recognised:		
Contracts with customers:		
– At a point in time	**17,538,529**	15,373,501
– Over time	**570,487**	485,778
	18,109,016	15,859,279
Other source: rental income	**254,169**	210,892
	18,363,185	16,070,171

There was no individual customer contributing over 10% of the total revenue for the years ended 31 December 2020 and 2019.

6 REVENUE (CONTINUED)

Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised.

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

Revenue recognised in relation to contract liabilities

The following table shows the amount of the revenue recognised in the current year which relates to carried-forward contract liabilities.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**14,780,312**	13,864,156

7 SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group is principally engaged in property development revenue of which accounted for over 90% of total turnover.

No segment assets and liabilities are presented as they were not provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

During the years ended 31 December 2020 and 2019, the board of directors concluded that the Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the PRC and more than 90% of the carrying values of the Group's non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

8 OTHER INCOME

	2020 **RMB'000**	2019 RMB'000
Interest income on bank deposits	**125,011**	79,860
Interest income on loans receivable	**109,287**	132,597
Interest income on financial assets at fair value through profit or loss *(Note 3 (d)(ii))*	**107,670**	80,572
Compensation income	**17,786**	–
Government grant	**4,371**	592
Others	**15,973**	14,857
	380,098	308,478

9 OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Foreign exchange gains/(losses), net	**697,355**	(61,144)
Fair value change on derivative financial instruments	**54,053**	(55,357)
Revaluation gain upon transfer of inventories of properties to investment properties	**21,152**	–
Fair value change on financial assets at fair value through profit or loss	**3,694**	(80,378)
Gains on disposal of investments accounted for using the equity method	**7,674**	21,712
Gains arising from bargain purchase	**67,453**	–
Gains/(losses) on disposals of financial assets at fair value through profit or loss	**756**	(15,232)
Losses on disposals of property and equipment	**–**	(5)
Losses on deemed disposal of a subsidiary	**–**	(39,709)
Others	**246**	8,336
	852,383	(221,777)

10 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses:		
– Bank and other borrowings	**1,277,268**	1,243,160
– Senior notes	**1,222,730**	621,541
– Lease liabilities	**806**	550
	2,500,804	1,865,251
Loss on exchange of senior notes	**–**	22,146
	2,500,804	1,887,397
Less: amounts capitalised on qualifying assets	**(2,183,163)**	(1,604,699)
	317,641	282,698

Finance costs have been capitalised for investment properties under construction and inventories of properties under development at an average rate of 10.22% (2019: 8.11%) per annum for the year ended 31 December 2020.

11 INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current income tax		
– Corporate income tax	**1,744,597**	1,131,003
– Land appreciation tax	**1,058,612**	1,130,859
	2,803,209	2,261,862
Deferred income tax *(Note 21)*	**(285,398)**	67,192
	2,517,811	2,329,054

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the year (2019: nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits of the Group's subsidiaries operating in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the PRC are subject to land appreciation tax at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

11 INCOME TAX EXPENSES (CONTINUED)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**6,049,004**	4,789,537
Tax calculated at income tax rate of 25% (2019: 25%)	**1,512,251**	1,197,384
Effects of different tax rates applicable to different subsidiaries of the Group	**(24,326)**	(16,301)
Utilisation of tax losses not previously recognised as deferred income tax assets	**(33,636)**	(22,431)
Effects of share of post-tax results of investments accounted for using the equity method	**(31,261)**	(20,514)
Income not subject to tax	**(136,675)**	(49,303)
Tax losses not recognised as deferred income tax assets	**55,012**	24,358
Temporary differences not recognised as deferred income tax assets	**73,103**	–
Expenses not deductible for tax purpose	**309,384**	367,717
	1,723,852	1,480,910
Land appreciation tax	**1,058,612**	1,130,859
Tax effect of land appreciation tax	**(264,653)**	(282,715)
Income tax expenses	**2,517,811**	2,329,054

12 EXPENSE BY NATURE

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	**11,448,604**	10,480,894
Employee benefit expenses	**530,545**	422,230
Provision for impairment of inventories of properties	**436,305**	–
Advertising and promotion expenses	**214,787**	198,852
Tax and surcharges	**151,629**	99,032
Office expenses	**129,796**	88,079
Professional service fees	**55,851**	83,701
Travelling and entertainment expenses	**40,190**	53,636
Bank charges	**35,266**	57,860
Depreciation and amortisation charges	**31,507**	15,294
Listing expenses of a subsidiary	**27,085**	–
Auditors' remuneration		
– Audit services	**8,260**	5,500
– Non-audit services	**8,887**	5,238
Rental expenses	**5,973**	18,737
Other expenses	**23,900**	94,820
Total cost of sales, selling and marketing costs and administrative expenses	**13,148,585**	11,623,873

* The auditor was also the reporting accountant for the listing of Jiayuan Services and provided other non-audit services. A total of RMB5 million (2019: nil) has been paid and payable for its services in connection with the issue and listing of shares of Jiayuan Services which has been included in share issuance costs and listing expenses of a subsidiary as appropriate.

13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the years are as follows:

	2020 RMB'000	2019 RMB'000
Directors' fees	**750**	750
Other emoluments		
– Salary and other allowances	**7,375**	6,973
– Performance related bonus	**2,915**	3,427
– Retirement benefit scheme contributions	**97**	86
	11,137	11,236

13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of every director and chief executive officer of the Company is set out below:

	Fees RMB'000	Salary and other allowances RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2020					
Executive directors					
Mr. Zhang Yi *(i)*	–	3,060	1,080	15	4,155
Ms. Cheuk Hiu Nam	–	183	–	1	184
Mr. Huang Fuqing	–	1,109	1,085	36	2,230
Mr. Wang Jianfeng	–	1,383	250	15	1,648
Non-executive director					
Mr. Shum Tin Ching	–	785	–	15	800
Mr. Shen Xiaodong	–	855	500	15	1,370
Independent non-executive directors					
Mr. Tai Kwok Leung, Alexander	250	–	–	–	250
Dr. Cheung Wai Bun, Charles, JP	250	–	–	–	250
Mr. Gu Yunchang	250	–	–	–	250
	750	7,375	2,915	97	11,137

13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salary and other allowances RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2019					
Executive directors					
Mr. Zhang Yi *(i)*	–	2,824	1,102	11	3,937
Ms. Cheuk Hiu Nam	–	176	–	–	176
Mr. Huang Fuqing	–	979	1,321	27	2,327
Mr. Wang Jianfeng	–	1,286	602	16	1,904
Non-executive director					
Mr. Shum Tin Ching	–	829	–	16	845
Mr. Shen Xiaodong	–	879	402	16	1,297
Independent non-executive directors					
Mr. Tai Kwok Leung, Alexander	250	–	–	–	250
Dr. Cheung Wai Bun, Charles, JP	250	–	–	–	250
Mr. Gu Yunchang	250	–	–	–	250
	750	6,973	3,427	86	11,236

(i) Mr. Zhang Yi resigned as president of the Company with effect from 12 August 2020 while Mr. Shen Hongjie was appointed as the president of the Company on the same date.

(b) Directors' retirement benefits

During the year ended 31 December 2020, 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 (2019: nil).

13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(c) Directors' termination benefits

During the year ended 31 December 2020, no payments to the directors of the Company as compensation for the early termination of appointment (2019: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2020, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company. (2019: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During the year ended 31 December 2020, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2019: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Except for the transactions disclosed in Note 38(a), 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 year (2019: nil).

(g) Five highest paid employees' emoluments

The five highest paid individuals included 2 directors for the year ended 31 December 2020 (2019: 3 directors). The remunerations of the remaining 3(2019: 2) highest paid individuals for the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Employees		
– Salaries and other allowances	**4,241**	2,195
– Performance related bonus	**1,730**	1,420
– Retirement benefit scheme contributions	**63**	47
	6,034	3,662

13 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(g) Five highest paid employees' emoluments (Continued)

The remuneration were within the following bands:

	Number of individuals	
	2020	2019
HKD1,500,001 to HKD2,000,000	**2**	2
HKD2,000,001 to HKD2,500,000	**1**	–

(h) Other information

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years. The directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.

14 DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
Final dividend declared for the prior year – HK11 cents (2019: HK11 cents) per share	**391,651**	248,054

Share scrip alternatives were offered in respect of the dividends declared. These share scrip alternatives were accepted by shareholders, as follows:

	2020		2019	
	HKD'000	**Equivalent to RMB'000**	HKD'000	Equivalent to RMB'000
Dividends				
– Cash	**86,711**	**78,274**	263,981	232,438
– Scrip dividend alternative	**347,157**	**313,377**	17,746	15,616
	433,868	**391,651**	281,727	248,054

14 DIVIDENDS (CONTINUED)

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK15.5 cents (2019: HK11 cents) per ordinary share, in an aggregate amount of HKD628,639,000, approximately RMB527,868,000, (2019: HKD433,868,000, approximately RMB388,962,000) taking into account 4,055,735,000 (2019: 3,944,252,000) ordinary shares in issue at the reporting date, has been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period will be either payable in cash or in form of new fully paid shares of the Company in respect of part or all of such final dividend at shareholders' option. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

15 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 weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit for the year attributable to owners of the Company (RMB' 000)	**3,275,473**	2,050,664
Weighted average number of ordinary shares in issue (in thousands)	**3,991,160**	3,941,295
Basic earnings per share (RMB cents)	**82.07**	52.03

(b) Diluted earnings per share

For the years ended 31 December 2020 and 2019, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both years.

16 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Fair value			
At 1 January 2020	7,647,680	194,226	7,841,906
Additions	–	232,490	232,490
Transfer to properties held for sale	(62,572)	–	(62,572)
Acquisition of a subsidiary	–	99,800	99,800
Transfer from inventories of properties	–	25,532	25,532
Transfer to inventories of properties	–	(54,260)	(54,260)
Revaluation gain upon transfer of inventories of properties to investment properties	–	21,152	21,152
Fair value change	(179,120)	1,617	(177,503)
At 31 December 2020	**7,405,988**	**520,557**	**7,926,545**
At 1 January 2019	4,662,833	2,908,885	7,571,718
Additions	–	180,590	180,590
Disposal of a subsidiary	–	(344,704)	(344,704)
Transfer to properties under development	(2,936)	–	(2,936)
Transfer upon completion	2,683,222	(2,683,222)	–
Fair value change	304,561	132,677	437,238
At 31 December 2019	7,647,680	194,226	7,841,906

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2020 and 2019, the Group had only level 3 investment properties.

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2020 and 2019 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or

(ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

(iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits; or

(iv) The cost approach is a method of using gross replacement costs to arrive at the value of the property as it is, at the date of valuation. The cost approach requires estimates of the value of the land in its existing use plus the estimated replacement cost of the improvement works. The replacement cost of the improvement works includes the cost of building work, site works, professional fees and relevant costs.

The valuation technique of one investment property was changed from direct comparison approach to residual method during the year due to change in construction stage from a land to property under construction. Valuation techniques of other properties remained unchanged during the year.

16 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,405,988	Income capitalisation	Monthly rentals (per square meter/month)	RMB34-RMB255
			Term yields	1.5%-5.5%
			Reversionary yields	2%-6%
			Expected vacancy rate	2%-20%
Investment properties under construction	386,257	Residual method	Budgeted construction costs to be incurred	RMB67.2 million
			Anticipated developer's profit margin	7%-15%
Investment properties under construction	27,900	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,929
Investment properties under construction	106,400	Direct comparison approach plus cost approach	Weighted average of comparable land price (RMB/square meter)	RMB23,155
			Budgeted construction costs to be incurred	RMB101.4 million
Total amounts	7,926,545			

	Fair value as at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,647,680	Income capitalisation	Monthly rentals (per square meter/month)	RMB45-RMB234
			Term yields	1.5%-6.5%
			Reversionary yields	2%-7%
			Expected vacancy rate	2%-35%
Investment properties under construction	129,426	Residual method	Budgeted construction costs to be incurred	RMB79.2 million
			Anticipated developer's profit margin	3%-20%
Investment properties under construction	64,800	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,829-RMB1,919
Total amounts	7,841,906			

16 INVESTMENT PROPERTIES (CONTINUED)

Relationships of unobservable inputs to fair value are as follows:

- The higher term yields/reversionary yields, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2020 RMB'000	2019 RMB'000
Rental income	246,260	210,892
Fair value change on investment properties	(177,503)	437,238
Revaluation gain upon transfer of inventories of properties to investment properties	21,152	–
	89,909	648,130

Operating expenses is not material for the years ended 31 December 2020 and 2019.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

As at 31 December 2020 and 2019, the future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

Operating lease rentals receivable

	2020 RMB'000	2019 RMB'000
Within one year	197,285	154,965
In the first to second year inclusive	133,511	178,784
In the second to third year inclusive	113,781	109,904
In the third to fourth year inclusive	90,605	109,715
In the fourth to fifth year inclusive	82,179	90,605
After five years	440,580	520,391
	1,057,941	1,164,364

17 PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fitting and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost							
At 1 January 2020	**100,238**	**5,090**	**33,768**	**3,328**	**8,209**	**50,602**	**201,235**
Additions	**424**	**1,379**	**5,189**	**920**	**346**	**827**	**9,085**
Acquisition of subsidiaries	**–**	**–**	**295**	**54**	**270**	**1,182**	**1,801**
Disposals	**–**	**–**	**(921)**	**–**	**(4)**	**(986)**	**(1,911)**
At 31 December 2020	**100,662**	**6,469**	**38,331**	**4,302**	**8,821**	**51,625**	**210,210**
At 1 January 2019	105,357	4,861	26,679	2,775	6,584	40,885	187,141
Additions	80	577	9,376	720	2,036	12,886	25,675
Acquisition of subsidiaries	1,431	90	43	8	13	118	1,703
Disposal of subsidiaries	(6,630)	(306)	(1,679)	(175)	(414)	(2,573)	(11,777)
Disposals	–	(132)	(651)	–	(10)	(714)	(1,507)
At 31 December 2019	100,238	5,090	33,768	3,328	8,209	50,602	201,235
Accumulated depreciation							
At 1 January 2020	**(12,736)**	**(3,269)**	**(15,193)**	**(2,060)**	**(5,068)**	**(30,029)**	**(68,355)**
Charge for the year	**(3,358)**	**(1,178)**	**(3,261)**	**(592)**	**(1,594)**	**(9,586)**	**(19,569)**
Disposals	**–**	**–**	**455**	**–**	**4**	**926**	**1,385**
At 31 December 2020	**(16,094)**	**(4,447)**	**(17,999)**	**(2,652)**	**(6,658)**	**(38,689)**	**(86,539)**
At 1 January 2019	(9,707)	(2,176)	(11,952)	(1,579)	(4,462)	(23,500)	(53,376)
Charge for the year	(3,241)	(1,162)	(3,604)	(516)	(706)	(7,157)	(16,386)
Disposal of subsidiaries	212	48	261	35	98	516	1,170
Disposals	–	21	102	–	2	112	237
At 31 December 2019	(12,736)	(3,269)	(15,193)	(2,060)	(5,068)	(30,029)	(68,355)
Carrying values							
At 31 December 2020	**84,568**	**2,022**	**20,332**	**1,650**	**2,163**	**12,936**	**123,671**
At 31 December 2019	87,502	1,821	18,575	1,268	3,141	20,573	132,880

The leasehold land and building is located in Hong Kong and the PRC.

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, and the lease is treated as property and equipment.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

17 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge was capitalised or expensed in the following categories in the consolidated financial statements.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties under development	**4,666**	3,601
Cost of sales	**2,690**	1,143
Selling and marketing costs	**379**	35
Administrative expenses	**11,834**	11,607
	19,569	16,386

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2020 RMB'000	31 December 2019 RMB'000
Interests in joint ventures *(a)*	**2,236,558**	931,896
Interests in associates *(b)*	**53,142**	53,155
	2,289,700	985,051

(a) Interests in joint ventures

	2020 RMB'000	2019 RMB'000
At 1 January	**931,896**	39,900
Additions	**1,442,358**	735,169
Transfer from subsidiaries	**–**	107,423
Share of results	**125,054**	49,404
Transfer to subsidiaries *(Note 37)*	**(262,750)**	–
At 31 December	**2,236,558**	931,896

The Group holds equity interest in the entities listed below. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion voting rights held. The joint ventures are unlisted companies.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investment in joint ventures (Continued)

Name of entity	Place of incorporation	Proportion of ownership interest held 2020	2019	Principal activity
Dongfangsuoqi Investment Development Group Co., Ltd. 東方索契投資發展集團有限公司	PRC	36%	36%	Property Development
Lujiang Biyuan Real Estate Development Co., Ltd 廬江碧源房地產開發有限公司	PRC	50%	50%	Property Development
Gang Yuan (Cambodia) Development Co., Ltd	Cambodia	50%	50%	Property Development
Meijia (Pingtan) Cultural Tourism Development Co., Ltd("Meijia Pingtan") 美佳(平潭)文化旅遊發展有限公司	PRC	30%	30%	Cultural Tourism Development
Zhejiang Xingjia Property Service Co., Ltd ("Zhejiang Xingjia") 浙江星佳物業服務有限公司	PRC	51%	51%	Property Management
Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd. ("Yancheng Xingzhou") 鹽城星洲佳源房地產開發有限公司 (i)	PRC	65%	65%	Property Development
Xinjiang Jiayuan Ronghua Real Estate Development Co., Ltd ("Xinjiang Ronghua") 新疆佳源榮華房地產開發有限公司 (i)	PRC	60%	–	Property Development
Shenzhen Rongjia Shanju Industrial Development Co., Ltd ("Rongjia Shanju") 深圳市融佳善居實業發展有限公司 (i)	PRC	50%	50%	Investment Holding
Anhui Liuzhuang Real Estate Co., Ltd ("Anhui Liuzhuang") 安徽劉莊置業有限責任公司 (i)	PRC	51%	–	Property Development
Chuzhou Jiachen Information and Technology Service Limited Partnership ("Chuzhou Jiachen") 滁州佳晨信息技術諮詢服務合夥企業(有限合夥) (i)	PRC	51%	–	Investment Holding
Suqian Huyuan Real Estate Development Co., Ltd ("Suqian Huyuan") 宿遷湖源房地產開發有限公司(i)	PRC	31%	–	Property Development

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investment in joint ventures (Continued)

Name of entity	Place of incorporation	Proportion of ownership interest held 2020	2019	Principal activity
Changshu Xinsuliansheng City Development Co., Ltd ("Changshu Xinsuliansheng") 常熟新蘇聯晟城市發展有限公司(i)	PRC	**20%**	–	Property Development
Nanjing Kangxing Science and Technology Industrial Park Operation Management Co., Ltd. ("Nanjing Kangxing") 南京康星科技產業園營運有限公司 *(Note 37(b))*	PRC	**–**	51%	Property Development
Chongqing Jiabao Property Management Co., Ltd ("Chongqing Jiabao") 重慶佳寶物業管理有限公司 *(Note 37(c))*	PRC	**–**	51%	Property Management

These entities are regarded as joint ventures and accounted for using the equity method because, according to the articles of association and joint venture agreements of the respective company, the decisions about the relevant activities of these entities require the unanimous consent of all shareholders.

(i) During the year ended 31 December 2020, the Group has below additions of investment in joint ventures:

- In April 2020, additional paid-in capital of RMB195,163,000 was injected by the Group to Yancheng Xingzhou, a company established in November 2019 by the Group jointly with third parties.
- In January 2020, the Group established Xinjiang Ronghua, jointly with a third party. The Group injected RMB311,084,000, owning 60% of equity interests in the company.
- In December 2019, the Group established Rongjia Shanju, jointly with a third party. The Group injected RMB720,500,000 during the year ended 31 December 2020 (2019: nil), owning 50% of equity interests in Rongjia Shanju.
- In June 2020, the Group acquired 51% equity interests of Anhui Liuzhuang for RMB132,326,000 resulting a bargain purchase gain of RMB6,535,000 from the acquisition after purchase price allocation.
- In July 2020, the Group established Changshu Xinsuliansheng jointly with a third party. The Group injected RMB3,600,000, owning 20% of equity interests in the company.
- In August 2020, the Group established Suqian Huyuan jointly with a third party. The Group injected RMB22,350,000, owning 31% of equity interests in the company.
- In December 2020, the Group established Chuzhou Jiachen jointly with third parties. The Group injected RMB50,800,000, owning 51% of equity interests in the company.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investment in joint ventures (Continued)

In the opinion of the directors, none of the above joint ventures are individually material to the Group. Set out below is the summarised financial information of the joint ventures and Group's share of results:

	2020 RMB'000	2019 RMB'000
Carrying amounts in the consolidated financial statements	**2,236,558**	931,896
Aggregate amounts of the Group's share of:		
Profit for the year	**125,054**	49,404
Total comprehensive income	**125,054**	49,404

As at 31 December 2020 and 2019, there are no significant contingent liabilities relating to the Group's interest in the joint ventures. Details of commitments for interests in joint ventures are set out in Note 34.

(b) Interests in associates

	2020 RMB'000	2019 RMB'000
At 1 January	**53,155**	205,565
Additions	**–**	1,600
Transfer to subsidiaries	**–**	(104,933)
Disposals	**–**	(81,729)
Share of results	**(13)**	32,652
At 31 December	**53,142**	53,155

The Group holds equity interests in the entities listed below. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The associates are unlisted companies.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in associates (Continued)

Name of entity	Country of incorporation	% of ownership interest		Principal activity
		2020	2019	
Hunan Beileide Property Service Co., Ltd 湖南貝雷德物業管理有限公司 (i)	PRC	8%	8%	Property Management
Mengcheng Biguiyuan Real Estate Development Co., Ltd 蒙城縣碧桂園房地產開發有限公司	PRC	30%	30%	Property Development

(i) Hunan Beileide Property Service Co., Ltd. is accounted for as an associate of the Group due to representation in the board of directors.

In the opinion of the directors, none of the above associates are individually material to the Group. Set out below is the summarised financial information of the associates and Group's share of results:

	2020 RMB'000	2019 RMB'000
Carrying amounts in the consolidated financial statements	53,142	53,155
Aggregate amounts of the Group's share of:		
Profit for the year	(13)	32,652
Total comprehensive income	(13)	32,652

As at 31 December 2020, there are no significant contingent liabilities and commitments relating to the Group's interest in the associates (2019: nil).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Debt instruments:		
Debt instruments in Hong Kong	**263,875**	107,827
Debt instruments in overseas *(a)*	**680,560**	545,511
Deposits paid for a life insurance policy	**16,604**	14,866
Equity instruments:		
Listed equity investments in Hong Kong	**131,880**	168,775
	1,092,919	836,979
Less: Non-current portion	**(961,039)**	(668,204)
	131,880	168,775

(a) Debt instruments in overseas represent investments in private funds in overseas.

(b) During the year, the following gains/(losses) and income were recognised in profit or loss in respect of financial assets at fair value through profit or loss:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Fair value change on equity investments	**(24,508)**	(82,146)
Fair value change on debt instruments	**28,202**	1,768
Interest income	**107,670**	80,572
	111,364	194

(c) Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

20 DEPOSITS PAID FOR ACQUISITIONS

The Group from time to time enters into agreements with various parties in relation to the acquisition of interest in certain entities which are principally engaged in property development in the PRC. As at 31 December 2020, the Group had made total deposits of RMB1,150,157,000 (2019: RMB1,167,684,000) in relation to these acquisitions. According to these agreements, in case the acquisitions cannot be completed, the deposits paid will be fully refunded to the Group.

21 DEFERRED INCOME TAX

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the years:

Deferred tax assets

	Accrued LAT RMB'000	Revenue recognition RMB'000	Tax losses RMB'000	Impairment loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**403,960**	**143,641**	**49,114**	**23,313**	**1,807**	**621,835**
Recognised in profit or loss	**222,145**	**9,152**	**27,549**	**23,747**	**7,808**	**290,401**
At 31 December 2020	**626,105**	**152,793**	**76,663**	**47,060**	**9,615**	**912,236**
At 1 January 2019	336,556	178,446	41,742	21,737	1,346	579,827
Disposal of a subsidiary	–	–	–	–	(59)	(59)
Recognised in profit or loss	67,404	(34,805)	7,372	1,576	520	42,067
At 31 December 2019	403,960	143,641	49,114	23,313	1,807	621,835

Deferred tax liabilities

	Fair value of investment properties RMB'000	Revaluation due to business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**(722,543)**	**(76,197)**	**(5,188)**	**(803,928)**
Acquisition of subsidiaries	**–**	**(160,976)**	**–**	**(160,976)**
Recognised in profit or loss	**(4,945)**	**–**	**(58)**	**(5,003)**
At 31 December 2020	**(727,488)**	**(237,173)**	**(5,246)**	**(969,907)**
At 1 January 2019	(638,230)	(42,371)	(186)	(680,787)
Acquisition of subsidiaries	–	(33,826)	(5,052)	(38,878)
Disposal of a subsidiary	24,996	–	–	24,996
Recognised in profit or loss	(109,309)	–	50	(109,259)
At 31 December 2019	(722,543)	(76,197)	(5,188)	(803,928)

21 DEFERRED INCOME TAX (CONTINUED)

	31 December 2020 RMB'000	31 December 2019 RMB'000
Analysed for reporting purpose after netting off:		
Deferred tax assets		
– Gross amounts	**912,236**	621,835
– Net off against deferred tax liabilities	**(243,395)**	(24,341)
– Net amounts	**668,841**	597,494
Deferred tax liabilities		
– Gross amounts	**969,907**	803,928
– Net off against deferred tax assets	**(243,395)**	(24,341)
– Net amounts	**726,512**	779,587

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB11,622,492,000 (2019: RMB7,978,370,000). Based on management's estimation of overseas funding requirements, such earnings are expected to be retained by the subsidiaries in the PRC for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future.

At 31 December 2020, the Group had unused tax losses of RMB667,271,000 (2019: RMB359,097,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB306,652,000 (2019: RMB196,456,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	31 December 2020 RMB'000	31 December 2019 RMB'000
2020	**–**	11,461
2021	**5,306**	5,306
2022	**35,402**	37,012
2023	**10,933**	11,430
2024	**88,930**	97,432
2025	**220,048**	–
	360,619	162,641

22 INVENTORIES OF PROPERTIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties under development *(a)*		
At cost	**31,531,588**	23,648,474
At NRV	**524,258**	–
	32,055,846	23,648,474
Properties held for sale *(b)*		
At cost	**8,305,359**	10,462,723
At NRV	**1,977,560**	–
	10,282,919	10,462,723
Others		
At cost	**–**	880
Total	**42,338,765**	34,112,077

The operating cycle of the Group's property development projects generally ranges from one to two years.

The Group's inventories of properties are situated in the PRC, Hong Kong and Macao.

A provision for impairment of RMB436,305,000 (2019: nil) is recognised as expense and included in cost of sales (Note 12).

22 INVENTORIES OF PROPERTIES (CONTINUED)

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

(a) Amounts of properties under development comprises:

	31 December 2020 RMB'000	31 December 2019 RMB'000
– Construction costs including depreciation and staff cost capitalised	**7,068,543**	7,839,524
– Land use rights	**22,160,451**	14,059,202
– Borrowing costs capitalised	**3,024,359**	1,749,748
Total costs	**32,253,353**	23,648,474
Less: provision for impairment	**(197,507)**	–
Net amounts	**32,055,846**	23,648,474

As at 31 December 2020, properties under development of RMB11,524,653,000 (2019: RMB8,446,822,000) were expected to be completed beyond one year.

The capitalisation rate used to capitalise interest on general borrowings in 2020 was 10.22% (2019: 8.11%) per annum.

(b) Amounts of properties held for sale comprises:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total properties held for sale	**10,521,717**	10,462,723
Less: provision for impairment	**(238,798)**	–
Net amounts	**10,282,919**	10,462,723

23 TRADE AND OTHER RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables, net *(a)*	**526,370**	312,509
Other receivables, net *(b)*	**4,093,026**	5,891,760
Prepayments *(c)*	**705,989**	1,098,000
	5,325,385	7,302,269
Less: Non-current portion of other receivables	**(38,450)**	(124,934)
Current portion of trade and other receivables	**5,286,935**	7,177,335

(a) Details of trade receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	**561,688**	321,910
Less: allowance for impairment	**(35,318)**	(9,401)
Trade receivables – net	**526,370**	312,509

Trade receivables mainly arise from properties rental and provision of properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0-60 days	**383,020**	187,875
61-180 days	**51,950**	83,805
181-365 days	**68,107**	19,008
Over 1 year	**58,611**	31,222
	561,688	321,910

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

As at 31 December 2020 and 2019, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for ECL on trade receivables (Note 3(b)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(b) Details of other receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Advances to joint ventures and associates *(i)*	**1,148,178**	2,225,715
Advances to non-controlling interests *(ii)*	**1,062,932**	809,626
Loans receivable *(iii)*	**509,971**	587,929
Deposits paid for acquisitions of land use rights	**446,923**	420,000
Projects related deposits *(iv)*	**488,556**	911,030
Interest receivable	**62,243**	190,234
Deposits for trust financing arrangements *(v)*	**60,178**	146,719
Advance to staff	**37,609**	55,112
Other deposits *(vi)*	**174,341**	453,642
Other receivables	**166,730**	157,006
	4,157,661	5,957,013
Less: allowance for impairment	**(64,635)**	(65,253)
	4,093,026	5,891,760
Less: Non-current portion of deposits for trust financing arrangements *(v)*	**(38,450)**	(124,934)
Current portion of other receivables – net	**4,054,576**	5,766,826

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (Continued)

(i) The amounts represent advances made by the Group to certain joint ventures and associates of the Group for funding the ongoing business activities (including purchase of the land use rights, payments of construction costs and other operating costs). The advances are unsecured, interest-free and repayable on demand.

(ii) The amounts represent advances made by certain non-wholly owned subsidiaries to their non-controlling shareholders pursuant to the terms of the respective cooperation agreements. These advances are unsecured, interest-free and repayable on demand.

(iii) The amounts represent loan to third parties which are interest-bearing at a fixed interest rate of 23% per annum.

(iv) The amounts mainly represent deposits placed at the request of local government. The deposits will be refunded to the Group upon the completion of the relevant projects.

(v) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.

(vi) Other deposits mainly represent temporary payments for acquisition of property development projects under negotiation. There is no fixed repayment term for these other deposits and the directors of the Company consider the amounts are repayable on demand.

The above other receivables are unsecured and non-interest bearing, except for the loans receivables which are interest bearing at rates of 23% (2019: 12% to 23%) per annum.

(c) Prepayments mainly represent prepayments for construction cost, and business and other taxes.

24 RESTRICTED/PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash at banks and on hand	**10,940,821**	8,153,513
Less: Restricted/pledged bank deposits		
– Pledged for mortgage guarantees *(a)*	**(76,111)**	(259,083)
– Pledged for acquisitions of land use rights *(b)*	**(800,000)**	–
– Restricted in use *(c)*	**(1,061,970)**	(1,864,018)
	(1,938,081)	(2,123,101)
Cash and cash equivalents	**9,002,740**	6,030,412

(a) These deposits were pledged to the banks to secure the mortgage guarantees provided to customers and will be released upon obtaining building ownership certificates by customers.

(b) The amounts represented deposits placed in banks and pledged for business partners to acquire certain land use rights. The deposits will be released upon completion of the bidding process.

(c) These deposits were placed in bank accounts in accordance with the applicable government regulations. These bank balances can only be applied in designated property development projects, and carry prevailing interest at a rate of 0.61% (2019: 0.38%) per annum as at 31 December 2020.

(d) Cash at banks carry prevailing market interest rates ranging from 0.01% to 2.75% (2019: 0.01% to 3.65%) per annum as at 31 December 2020.

As at 31 December 2020, the cash at banks are denominated in the following currencies:

	31 December 2020 RMB'000	31 December 2019 RMB'000
RMB	**9,242,467**	6,128,425
HKD	**1,229,754**	258,457
USD	**467,077**	1,765,541
Others	**1,523**	1,090
	10,940,821	8,153,513

The conversion and the remittance of RMB out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

25 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables *(a)*	**2,960,397**	3,639,200
Advances from related parties	**959,508**	234,960
Advances from non-controlling interests *(b)*	**789,719**	729,885
Consideration payable for acquisition of subsidiaries	**689,045**	95,000
Business and other taxes payable	**688,657**	514,091
Deposits related to sales of properties	**389,615**	268,363
Accrued charges	**129,817**	101,160
Receipts on behalf of property residents	**154,129**	210,411
Payroll payables	**115,066**	89,049
Other deposits received *(c)*	**181,096**	286,864
Other consideration payables *(d)*	**226,500**	226,500
	7,283,549	6,395,483

(a) Trade payables are for construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables is 30 days.

The following is an aging analysis of trade payables, presented based on the invoice date:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0-60 days	**2,259,860**	2,152,245
61-180 days	**289,607**	751,103
181-365 days	**103,391**	298,295
Over 1 year	**307,539**	437,557
	2,960,397	3,639,200

(b) The amounts represent advances made by certain non-controlling shareholders to non-wholly subsidiaries pursuant to the terms of the respective shareholders' agreements. These advances are unsecured, interest-free and repayable on demand.

(c) The amounts mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

(d) The Group in 2018 acquired Guoyang Xinggang Development Co., Ltd. (渦陽縣星港置業有限公司) from an independent third-party vendor. Pursuant to the sale and purchase agreement, as a part of the considerations, the Group is required to transfer 50,000 sq.m. of the completed properties to the vendor. The amount represented the fair value of the properties to be delivered to the vendor on completion.

26 PRE-SALE DEPOSITS RECEIVED

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities related to sales of properties	**17,189,716**	18,780,511
Contract liabilities related to property management services	**87,853**	73,018
Value-added tax payable	**1,398,900**	1,587,448
	18,676,469	20,440,977
Less: non-current portion	**(540,412)**	(500,510)
Current portion	**18,136,057**	19,940,467

The Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreements for properties. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the sale of the completed property is recognised.

27 BANK AND OTHER BORROWINGS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank loans		
– secured	**304,338**	3,612,555
– secured and guaranteed	**6,966,938**	447,500
– unsecured	**–**	500
	7,271,276	4,060,555
Trust loans *(b)*		
– secured	**–**	1,292,305
– secured and guaranteed	**3,660,945**	5,723,300
– unsecured	**–**	687,624
	3,660,945	7,703,229
Other loans *(c)*		
– secured	**–**	66,395
– secured and guaranteed	**1,700,406**	300,000
	1,700,406	366,395
Total bank and other borrowings	**12,632,627**	12,130,179
Less: amounts due within one year or on demand shown under current liabilities	**(1,377,858)**	(4,667,930)
Amounts shown under non-current liabilities	**11,254,769**	7,462,249

27 BANK AND OTHER BORROWINGS (CONTINUED)

(a) The borrowings are repayable:

	31 December 2020			
	Bank loans RMB'000	**Trust loans RMB'000**	**Other loans RMB'000**	**Total RMB'000**
Within one year or on demand	**877,248**	**1,050**	**499,560**	**1,377,858**
More than one year, but not exceeding two years	**5,306,547**	**3,659,895**	**505,846**	**9,472,288**
More than two year, but not exceeding five years	**1,087,481**	**–**	**695,000**	**1,782,481**
	7,271,276	**3,660,945**	**1,700,406**	**12,632,627**
Less: amounts due within one year or on demand shown under current liabilities	**(877,248)**	**(1,050)**	**(499,560)**	**(1,377,858)**
Amount shown under non-current liabilities	**6,394,028**	**3,659,895**	**1,200,846**	**11,254,769**

	31 December 2019			
	Bank loans RMB'000	Trust loans RMB'000	Other loans RMB'000	Total RMB'000
Within one year or on demand	489,500	4,112,035	66,395	4,667,930
More than one year, but not exceeding two years	1,120,483	3,250,154	300,000	4,670,637
More than two year, but not exceeding five years	2,450,572	341,040	–	2,791,612
	4,060,555	7,703,229	366,395	12,130,179
Less: amounts due within one year or on demand shown under current liabilities	(489,500)	(4,112,035)	(66,395)	(4,667,930)
Amount shown under non-current liabilities	3,571,055	3,591,194	300,000	7,462,249

(b) These borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

(c) Other loans mainly represent secured and guaranteed loans obtained from asset management companies.

27 BANK AND OTHER BORROWINGS (CONTINUED)

(d) Fixed-rate borrowings amounting to RMB9,700,463,000 (2019: RMB9,380,127,000) carry interest ranging from 1.55% to 14.00% (2019: 1.55% to 14.00%) per annum at 31 December 2020. The remaining borrowings amounting to RMB2,932,164,000 (2019: RMB2,750,052,000) are arranged at variable rates with effective interest rates ranging from 3.65% to 12.00% (2019: 4.00% to 6.51%) per annum at 31 December 2020.

(e) The range of effective interest rates at the end of each reporting period is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank loans	**1.55% to 11.70%**	1.55% to 9.50%
Trust loans	**12.00% to 14.00%**	7.10% to 14.00%
Other loans	**7.10% to 12.92%**	12.00% to 12.80%

(f) Except for bank and other borrowings of RMB2,347,418,000 (2019: RMB2,503,467,000) which are denominated in HKD and RMB1,061,449,000 (2019: RMB810,503,000) which are denominated in USD as at 31 December 2020, all the bank and other borrowings are denominated in RMB.

28 SENIOR NOTES

	Notes	**2020 RMB'000**	2019 RMB'000
Issued in 2018 and due October 2020		**–**	122,533
Issued in 2019 and due March 2022	*(a)*	**1,757,054**	1,848,218
Issued in 2019 and due May 2022	*(b)*	**747,265**	1,639,014
Issued in 2020 and due June 2021	*(c)*	**954,730**	–
Issued in 2019 and due February 2023	*(d)*	**2,139,166**	1,665,011
Issued in 2020 and due October 2022	*(e)*	**1,241,069**	–
Issued in 2020 and due April 2023	*(f)*	**1,913,733**	–
		8,753,017	5,274,776
Less: amounts due and demandable for repayment within one year shown under current liabilities		**(5,687,872)**	(314,084)
Included in non-current liabilities		**3,065,145**	4,960,692

28 SENIOR NOTES (CONTINUED)

The movement of senior notes for the year is set out below:

	2020 RMB'000	2019 RMB'000
At 1 January	**5,274,776**	7,212,509
Derivatives financial instruments recognised	**(51,434)**	(179,897)
Proceeds from issue of new senior notes	**5,178,336**	2,730,999
Repayment of senior notes	**(1,394,203)**	(4,644,144)
Extinguish upon repurchasing the senior notes	**30,585**	–
Exchange difference	**(560,884)**	67,098
Interest expenses *(Note 10)*	**1,222,730**	621,541
Interest paid	**(946,889)**	(533,330)
At the end of the year	**8,753,017**	5,274,776

(a) In July 2019, the Company issued senior notes (the "March 2022 Senior Notes") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes was used to exchange for a total of USD174,671,000 in principal amount of the senior notes due October 2020.

In November 2019, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD67,500,000 (equivalent to approximately RMB472,891,500), which were consolidated with and formed a single series with the March 2022 Senior Notes.

In October 2020, the Company repurchased the March 2022 Senior Notes in an aggregate principal amount of USD60,000,000 (equivalent to approximately RMB402,168,000), representing 18.60% of the aggregate principal amount of the Notes originally issued.

On 1 February 2021, the Company published an announcement to offer to repurchase March 2022 Senior Notes. A total of approximately USD55,755,000 (equivalent to approximately RMB360,306,000) in principal amount of the March 2022 Senior Notes have been validly tendered and accepted pursuant to the Company's offer to purchase. On 11 March 2021, a total of approximately USD61,538,000 (equivalent to approximately RMB399,812,000) in principal amount of the March 2022 Senior Notes were further repurchased by the Company following the exercise of a put option pursuant to the terms of the March 2022 Senior Notes.

28 SENIOR NOTES (CONTINUED)

(b) In May 2019, the Company issued senior notes (the "May 2022 Senior Notes") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum, will mature in May 2022. A portion of the May 2022 Senior Notes was used to exchange for all of the outstanding USD160,000,000 senior notes due October 2019, i.e. the 2018 senior notes due October 2019.

In August 2019, the Company issued senior notes with a principal amount of USD25,000,000 (equivalent to approximately RMB176,425,000) due in May 2022 which were consolidated with and formed a single series with the May 2022 Senior Notes.

In October 2020, the Company repurchased May 2022 Senior Notes in an aggregate principal amount of USD135,000,000 (equivalent to approximately RMB904,878,000), representing 54% of the aggregate principal amount of the notes originally issued.

(c) In June 2020, the Company issued senior notes (the "June 2021 Senior Notes") with a principal amount of USD120,000,000 (equivalent to approximately RMB849,012,000), bearing interest at a fixed interest rate of 11.75% per annum and will mature in June 2021.

In July 2020, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB209,883,000), which were consolidated with and formed a single series with the June 2021 Senior Notes.

(d) In October 2019, the Company issued senior notes (the "February 2023 Senior Notes") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,413,800,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In November 2019, the Company issued senior notes with a principal amount of USD37,500,000 (equivalent to approximately RMB263,336,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In January 2020, the Company issued senior notes with a principal amount of USD30,000,000 (equivalent to approximately RMB209,599,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

In February 2020, the Company issued senior notes with a principal amount of USD60,000,000 (equivalent to approximately RMB420,348,000), which were consolidated with and formed a single series with the February 2023 Senior Notes.

(e) In October 2020, the Company issued senior notes (the "October 2022 Senior Notes") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,314,260,000), bearing interest at a fixed interest rate of 12% per annum and will mature in October 2022.

28 SENIOR NOTES (CONTINUED)

(f) In September 2020, the Company issued senior notes (the "April 2023 Senior Notes") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,340,560,000), bearing interest at a fixed interest rate of 12.5% per annum and will mature in April 2023.

In November 2020, the Company issued senior notes with a principal amount of USD100,000,000 (equivalent to approximately RMB657,130,000), which were consolidated with and formed a single series with the April 2023 Senior Notes.

(g) Certain senior notes contain a liability component and early redemption options:
The holders of these senior notes have the right, at their options, to require the Company to repurchase for all or any portion of the principal on designated repurchase dates, at purchase prices ranging from 100% to 102.795% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

As at 31 December 2020, these put options have been recognised at fair value as derivative financial instruments in the consolidated financial statements at the amount of RMB190,913,000 (2019: RMB238,387,000).

(h) Early redemption call options:

The Company has the right, at its option, to redeem the above senior notes in whole but not in part of the respective principal amount at any time prior to the mature date, at a redemption price equal to 100% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

The Company has the right, at its option, to redeem up to 35% of the June 2021 Senior Notes, February 2023 Senior Notes, October 2022 Senior Notes and April 2023 Senior Notes at any time prior to the mature dates, at redemption prices ranging from 111.75% to 113.75% of the respective principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

As at 31 December 2020, these call options were not recognised as derivative financial instruments in the consolidated statement of financial position since their fair value amounts are immaterial.

(i) The fair values of the senior notes as at 31 December 2020 were approximately RMB8,783,497,000 (2019: RMB4,962,892,000). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position.

29 SHARE CAPITAL

	Number of shares	Nominal value HKD'000	RMB'000
Ordinary shares of HKD0.01 each			
Authorised			
At 1 January 2019 and 31 December 2019 and 31 December 2020	10,000,000,000	100,000	
Issued and fully paid			
At 1 January 2020	3,944,252,161	39,443	33,870
Issue of shares upon scrip dividend scheme *(a)*	111,482,462	1,114	1,006
At 31 December 2020	4,055,734,623	40,557	34,876
At 1 January 2019	2,510,971,802	25,110	21,083
Issue of shares for acquisition of Chuangyuan Group	50,180,189	502	434
Issue of shares upon scrip dividend scheme	5,140,695	51	45
Issue of shares for acquisition of Huiyuan Group	1,377,959,475	13,780	12,308
At 31 December 2019	3,944,252,161	39,443	33,870

(a) Share scrip alternative were offered in respect of dividend decleared during the year (Note 14). On 31 July 2020, 111,482,462 shares were issued at HKD3.114 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2019 final dividend under the scrip dividend scheme for a total proceeds of HKD347,157,000 (equivalent to RMB313,377,000) (2019:RMB15,616,000). The amounts received in excess of share capital issued are taken to share premium account.

30 RESERVES

	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020	**7,189,580**	**(4,597,687)**	**260,642**	**(1,124)**	**580,848**	**6,393,351**	**9,825,610**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,821)**	**–**	**3,275,473**	**3,273,652**
Dividends *(Note14)*	**(391,651)**	**–**	**–**	**–**	**–**	**–**	**(391,651)**
Issue of shares upon scrip dividend scheme *(Note 29)*	**312,371**	**–**	**–**	**–**	**–**	**–**	**312,371**
Transfer to reserves	**–**	**–**	**–**	**–**	**516,477**	**(516,477)**	**–**
Capital contribution from non-controlling interests *(Note 36)*	**–**	**–**	**592,377**	**–**	**–**	**–**	**592,377**
Acquisitions of interests in subsidiaries *(Note 36(d))*	**–**	**–**	**(29,005)**	**–**	**–**	**–**	**(29,005)**
At 31 December 2020	**7,110,300**	**(4,597,687)**	**824,014**	**(2,945)**	**1,097,325**	**9,152,347**	**13,583,354**
At 1 January 2019	3,331,886	(190,118)	231,998	(3,635)	508,523	5,166,778	9,045,432
Total comprehensive income for the year	–	–	–	2,511	–	2,050,664	2,053,175
Dividends *(Note14)*	(248,054)	–	–	–	–	–	(248,054)
Issue of shares upon scrip dividend scheme *(Note 29)*	15,571	–	–	–	–	–	15,571
Deemed disposals of interest in subsidiaries without loss of control	–	–	28,644	–	–	–	28,644
Dividend paid by entities under common control before acquisition	–	–	–	–	–	(751,766)	(751,766)
Issue of shares for acquisitions of entities under common control	4,090,177	(4,102,919)	–	–	–	–	(12,742)
Acquisitions of entities under common control	–	(304,650)	–	–	–	–	(304,650)
Transfer to reserves	–	–	–	–	72,325	(72,325)	–
At 31 December 2019	7,189,580	(4,597,687)	260,642	(1,124)	580,848	6,393,351	9,825,610

31 CASH FLOW INFORMATION

(a) Cash generated from operations:

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**6,049,004**	4,789,537
Adjustments for:			
Interest income	*8*	**(341,968)**	(293,029)
Finance costs	*10*	**317,641**	282,698
Net impairment reversal/(losses) on financial assets	*3(b)*	**27,974**	(19,942)
Share of results of investments accounted for using the equity method	*18*	**(125,041)**	(82,056)
Depreciation and amortisation	*12*	**31,507**	15,294
Foreign exchange loss (gain), net	*9*	**(697,355)**	61,144
Losses on disposal of subsidiaries	*9*	**–**	39,709
Gains on disposal of joint ventures	*9*	**(7,674)**	(21,712)
Gains arising from bargain purchase	*9*	**(67,453)**	–
(Gains)/losses on disposal of financial assets at fair value through profit or loss	*9*	**(756)**	15,232
Losses on disposal of property and equipment	*9*	**–**	5
Fair value change on investment properties	*16*	**177,503**	(437,238)
Revaluation gain upon transfer of inventories of properties to investment properties	*16*	**(21,152)**	–
Fair value change on derivative financial instruments	*9*	**(54,053)**	55,357
Fair value change on financial assets at fair value through profit or loss		**(3,694)**	80,378
Operating cash flows before movements in working capital		**5,284,483**	4,485,377
Decrease in inventories of properties		**2,066,075**	629,197
Decrease in trade and other receivables		**1,798,493**	1,737,054
Decrease/(increase) in financial assets at fair value through profit or loss		**51**	(78,717)
Increase/(decrease) in trade and other payables		**(1,142,273)**	917,676
Increase/(decrease) in pre-sale deposits received		**(6,367,298)**	1,139,491
Decrease/(increase) in restricted bank deposits		**985,020**	(208)
Cash generated from operations		**2,624,551**	8,829,870

31 CASH FLOW INFORMATION (CONTINUED)

(b) In the consolidated statement of cash flow, proceeds from disposals of property and equipment comprise:

	2020 RMB'000	2019 RMB'000
Net book amount disposed of *(Note 17)*	**526**	1,270
Losses on disposals *(Note 9)*	**–**	(5)
Proceeds	**526**	1,265

(c) Non-cash investing and financing activities

Major non-cash transactions during the year represented the payment of dividend under scrip dividend scheme (Note14).

31 CASH FLOW INFORMATION (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Senior notes RMB'000	Advances from non-controlling interests RMB'000	Advance from related parties RMB'000	Derivative financial instruments RMB'000	Total RMB'000
Net debt as at 1 January 2020	**10,914**	**12,130,179**	**5,274,776**	**729,885**	**234,960**	**238,387**	**18,619,101**
Cash flows							
– Financing cash flows	**(7,619)**	**(1,546,888)**	**3,784,133**	**(120,686)**	**1,360,968**	**–**	**3,469,908**
– Interest paid	**–**	**(1,515,912)**	**(946,889)**	**–**	**–**	**–**	**(2,462,801)**
Non-cash flows							
– Acquisitions of subsidiaries	**–**	**2,524,100**	**–**	**180,520**	**–**	**–**	**2,704,620**
– Transferred from amounts due to third parties upon acquisition of a joint venture	**–**	**–**	**–**	**–**	**219,403**	**–**	**219,403**
– Elimination against amounts due from related parties	**–**	**–**	**–**	**–**	**(855,823)**	**–**	**(855,823)**
– Derivative liability component of senior notes	**–**	**–**	**(51,434)**	**–**	**–**	**51,434**	**–**
– Change in fair value of derivative financial instrument	**–**	**–**	**–**	**–**	**–**	**(54,053)**	**(54,053)**
– Extinguish upon repurchasing the senior notes	**–**	**–**	**30,585**	**–**	**–**	**(30,585)**	**–**
– Foreign exchange translation	**–**	**(236,120)**	**(560,884)**	**–**	**–**	**(14,270)**	**(811,274)**
– Interest expenses	**806**	**1,277,268**	**1,222,730**	**–**	**–**	**–**	**2,500,804**
– Lease contract modification	**5,494**	**–**	**–**	**–**	**–**	**–**	**5,494**
Net debt as at 31 December 2020	**9,595**	**12,632,627**	**8,753,017**	**789,719**	**959,508**	**190,913**	**23,335,379**
Adoption of HKFRS 16	13,005	–	–	–	–	–	13,005
Net debt as at 1 January 2019	13,005	14,800,921	7,212,509	843,830	682,959	–	23,553,224
Cash flows							
– Financing cash flows	(2,641)	(2,670,653)	(1,913,145)	(113,945)	(447,999)	–	(5,148,383)
– Interest paid	–	(1,243,160)	(533,330)	–	–	–	(1,776,490)
Non-cash flows							
– Derivative liability component of senior notes	–	–	(179,897)	–	–	179,897	–
– Change in fair value of derivative financial instrument	–	–	–	–	–	55,357	55,357
– Foreign exchange translation	–	(89)	67,098	–	–	3,133	70,142
– Interest expenses	550	1,243,160	621,541	–	–	–	1,865,251
Net debt as at 31 December 2019	10,914	12,130,179	5,274,776	729,885	234,960	238,387	18,619,101

32 RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The expense of RMB12,349,807 (2019: RMB24,812,000) recognised in employee benefit expenses represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

33 PLEDGE OF ASSETS

The following assets were pledged to secure mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the year:

	2020 RMB'000	2019 RMB'000
Inventories of properties	**15,919,251**	10,447,366
Investment properties	**3,462,100**	2,478,600
Pledged bank deposits	**876,111**	259,083
Property and equipment	**72,395**	72,312
Financial assets at fair value through profit or loss	**16,604**	14,866
	20,346,461	13,272,227

34 COMMITMENTS

As at 31 December 2020, the Group had the following commitments:

Commitments for capital expenditures

	2020 RMB'000	2019 RMB'000
Contracted but not provided for:		
Investments accounted for using the equity method	**143,774**	–
Investment properties under construction	**622,471**	–
Acquisitions of entities	**269,811**	–

35 FINANCIAL GUARANTEES

	2020 RMB'000	2019 RMB'000
Mortgage guarantees	**10,776,325**	13,289,638

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts are insignificant at initial recognition and at relevant reporting dates, accordingly no value has been recognised for these contracts. Refer Note 3(b) for credit risk assessment on these contracts.

36 TRANSACTION WITH NON-CONTROLLING INTERESTS

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the year ended 31 December 2020 are as follows:

(a) On 9 December 2020, a subsidiary of the Group, Jiayuan Services, issued 150,000,000 new ordinary shares in its initial public offering on the Stock Exchange at the price of HKD3.86 per share, and raised gross proceeds of approximately HKD579,000,000 (equivalent to approximately RMB486,964,000). After deduction the issuance cost of RMB32,355,000, the net proceeds of the issuance was RMB454,609,000. As a result, the Company's equity interest in Jiayuan Services was diluted from 100% to 75% and Jiayuan Services remains a subsidiary of the Company after its listing. The 25% of the net assets of Jiayuan Services after above issue of share of RMB125,296,000 was recorded as non-controlling interests. The difference between the net proceeds and the carrying amount of non-controlling interests of RMB329,313,000 was recorded as a credit to the other reserves.

(b) During the year, a third party injected RMB500,000,000 to a subsidiary of the Group without loss of control to obtain 30% equity interests in the subsidiary. The Group recognised an increase in reserve of RMB263,064,000 and increase in non-controlling interests of RMB236,936,000.

(c) During the year, certain subsidiaries were established by the Group with non-controlling shareholdings injected a total of RMB504,445,000 as paid in capital to the subsidiaries.

(d) During the year, the Group acquired additional equity interests in a subsidiary from the non-controlling interests for a consideration of RMB60,000,000. The Group recognised a decrease in reserve of RMB29,005,000 and decrease in non-controlling interests of RMB30,995,000.

(e) On 20 October 2020, a subsidiary of the Group declared and paid dividend of RMB3,500,000 to the non-controlling interests.

37 BUSINESS COMBINATIONS

(a) In December 2020, the Group acquired 51% equity interests in Zhengzhou Mingchuan Real Estate Development Co., Ltd ("Zhengzhou Mingchuan") at a consideration of RMB616,000,000. Details of the purchase consideration and the financial information of Zhengzhou Mingchuan on the acquisition date are summarised as follows:

	RMB'000
Consideration	
Settled in 2020	23,780
Outstanding as at 31 December 2020	592,220
Total cash consideration	616,000
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Property and equipment	197
Inventories of properties	3,354,633
Trade and other receivables	130,205
Restricted/pledged bank deposits	421,939
Cash and cash equivalent	244,187
Trade and other payables	(17,805)
Pre-sale deposits received	(2,777,579)
Deferred tax liabilities	(147,934)
Total identifiable net assets	1,207,843
Non-controlling interests	(591,843)
	616,000
Cash flows on business combination, net of cash acquired:	
– Cash consideration paid	(23,780)
– Cash and cash equivalents in the subsidiary acquired	244,187
Net cash inflow on acquisition	220,407

The acquired business contributed total revenue of nil and net profit of nil to the Group for the period from its respective acquisition date to 31 December 2020. Had the acquisition been completed on 1 January 2020, revenue of the Group for the year would be RMB18,363,185,000 and net profit of the Group for the year would be RMB3,461,335,000.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

37 BUSINESS COMBINATIONS (CONTINUED)

(b) Before September 2020, the Group held 51% equity interest of Nanjing Kangxing which was a joint venture of the Group. In September 2020, the Group acquired additional 15% equity interests in Nanjing Kangxing from one of the shareholders for a consideration of RMB16,825,000. As a result, the equity interest of Nanjing Kangxing held by the Group increased from 51% to 66% and Nanjing Kangxing became a subsidiary of the Group from then. The transaction was treated as disposal of a joint venture and acquisition a subsidiary.

Details of the consideration and the financial information of Nanjing Kangxing on the acquisition date are summarised as follows:

	RMB'000
Consideration	
– Cash consideration paid	15,000
– Cash consideration outstanding	1,825
– Fair value of investments in a joint venture held before business combination	264,327
	281,152
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Property and equipment	1,294
Investment properties	99,800
Inventories of properties	4,663,667
Prepaid income tax	64,211
Trade and other receivables	619,407
Restricted/pledged bank deposits	438,711
Cash and cash equivalents	14,343
Trade and other payables	(1,020,852)
Pre-sale deposits received	(1,825,211)
Deferred tax liabilities	(12,982)
Bank and other borrowings	(2,524,100)
Total identifiable net assets	518,288
Non-controlling interests	(176,218)
66% of the identifiable net assets of Nanjing Kangxing	342,070
Gains arising from bargain purchase	60,918
Fair value of investments in a joint venture held before business combination	264,327
Less: carrying amount of investments in a joint venture held before business combination	(256,745)
Gains on deemed disposal of investments accounted for using the equity method	7,582
Cash flows on business combination, net of cash acquired:	
– cash consideration paid	(15,000)
– cash and cash equivalents in the subsidiaries acquired	14,343
Net cash outflow on acquisition	(657)

37 BUSINESS COMBINATIONS (CONTINUED)

(b) (Continued)

The acquired business contributed total revenue of nil and net loss of RMB6,507,000 to the Group for the period from its acquisition date to 31 December 2020. Had the acquisition been completed on 1 January 2020, revenue of the Group for the year would be RMB18,363,185,000 and net profit of the Group for the year would be RMB3,528,783,000.

Gains arising from bargain purchase was mainly due to the fact that the seller had the intention to exit from its investment in Nanjing Kangxing as the business of Nanjing Kangxing is not synergistic with its own retail business.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

(c) Before 30 December 2020, the Group held 51% equity interest of Chongqing Jiabao which was a joint venture of the Group. As at 30 December 2020, the Group and Chongqing Baodi Industrial Development Co., Ltd (重慶寶地實業發展有限公司), another third-party shareholder of Chongqing Jiabao, revised the Articles of Chongqing Jiabao resulting that the Group obtained control on Chongqing Jiabao. The transaction was treated as a business combination of subsidiary.

Details of the consideration and the financial information of Chongqing Jiabao on the acquisition date are summarised as follows:

	RMB'000
Consideration	
– Fair value of investments in a joint venture held before business combination	6,096
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Property and equipment	310
Intangible assets – property management contracts	240
Trade and other receivables	11,310
Cash and cash equivalent	2,803
Trade and other payables	(2,423)
Current income tax liabilities	(227)
Deferred tax liabilities	(60)
Total identifiable net assets	11,953
Non-controlling interests	(5,857)
	6,096
Cash flows on business combination, net of cash acquired	
– cash considerations	–
– cash and cash equivalents in the subsidiary acquired	2,803
Net cash inflow on acquisitions	2,803

37 BUSINESS COMBINATIONS (CONTINUED)

(c) (Continued)

The acquired business contributed total revenue of nil and net profit of nil to the Group for the period from its respective acquisition date to 31 December 2020. Had the acquisition been completed on 1 January 2020, revenue of the Group for the year would be RMB18,384,000,000 and net profit of the Group for the year would be RMB3,533,680,000.

Upon completion of the transaction on 30 December 2020, the difference of RMB92,000 between the fair value of RMB6,096,000 with the carrying amount of investment in Chongqing Jiabao of RMB6,004,000 was recognised in other gains.

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

38 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) Related party transactions

Apart from those related party transactions disclosed above in the consolidated financial statements, the following transactions were carried out with related parties.

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(i) Entities controlled by the Ultimate Shareholder and the close family members of the Ultimate Shareholder		
Procurement of intelligent system equipment	**63,521**	35,947
Procurement of architectural design services	**9,351**	30,881
Provision of property management services	**46,828**	36,894
Procurement of electrical appliances	**6,305**	14,000
Procurement of consulting services	**–**	12,615
Subscription the Company's senior notes	**–**	534,377
Provision of financial guarantees to the Group	**11,074,445**	6,470,800
(ii) Entities jointly controlled by Ultimate Shareholder		
Provision of value-added services to property developers	**512**	–
(iii) Joint ventures		
Provision of property management services	**4,423**	1,155
Provision of financial guarantees to the Group	**9,079**	–

As at 31 December 2020, 100% equity interests of a company controlled by the Ultimate Shareholder have been pledged to secure bank loans of RMB306,661,000 of the Group (2019: nil).

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

38 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Short term benefits	**21,038**	14,015
Post-employment benefits	**205**	133
	21,243	14,148

The remuneration of directors and other members of key management is determined with reference to performance of individuals and market trends.

38 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	2020 RMB'000	2019 RMB'000
(i) Entities controlled by Ultimate Shareholder		
Trading nature and included in:		
– Trade receivables	**54,672**	22,195
– Other receivables	**3,381**	2,472
– Prepayments	**2,311**	1,218
– Trade payables	**61,945**	72,572
– Other payables	**2,251**	228
– Pre-sale deposits	**236**	968
Non-trading nature and included in:		
– Other payables	**605,705**	142,580
(ii) Joint ventures		
Trading nature and included in:		
– Trade receivables	–	1,020
– Other receivables	–	1,045
– Trade payables	–	2,792
Non-trading nature and included in:		
– Other receivables	**1,104,746**	2,222,991
– Other payables	**130,800**	–
(iii) Associates		
Non-trading nature and included in:		
– Other receivables	**43,432**	–
– Other payables	**223,003**	92,380
(iv) Key management of the Group		
Non-trading nature and included in:		
– Other receivables	–	2,724

The above balances due from related parties are interest free, unsecured and repayable on demand. The amounts due from joint ventures in 2019 included RMB400,000,000 which bore interest at a rate of 8.5% per annum.

39 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	**5,221,852**	4,921,852
Amounts due from subsidiaries	**–**	1,422,969
	5,221,852	6,344,821
Current assets		
Other receivables and prepayments	**644,135**	1,273,573
Amounts due from subsidiaries	**9,087,586**	4,258,371
Cash and cash equivalent	**3,377**	10,232
	9,735,098	5,542,176
Current liabilities		
Other payables and accrued expenses	**91,482**	216,835
Amounts due to subsidiaries	**–**	1,282
Bank and other borrowings	**33,595**	–
Derivative financial instruments	**190,913**	–
Senior notes	**5,687,872**	314,084
	6,003,862	532,201
Net current assets	**3,731,236**	5,009,975
Total assets less current liabilities	**8,953,088**	11,354,796
Equity		
Share capital *(Note 29)*	**34,876**	33,870
Reserves (b)	**5,580,002**	6,121,847
Total equity	**5,614,878**	6,155,717
Non-current liabilities		
Senior notes	**3,065,145**	4,960,692
Derivative financial instruments	**–**	238,387
Bank and other borrowings	**273,065**	–
	8,953,088	11,354,796

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2021 and was signed on its behalf:

Zhang Yi
Director

Cheuk Hiu Nam
Director

39 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(b) Reserves movements of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	**7,189,580**	**(1,067,733)**	**6,121,847**
Dividends *(Note 14)*	**(391,651)**	**–**	**(391,651)**
Issue of shares upon scrip dividend scheme *(Note 29)*	**312,371**	**–**	**312,371**
Loss and total comprehensive loss for the year	**–**	**(462,565)**	**(462,565)**
At 31 December 2020	**7,110,300**	**(1,530,298)**	**5,580,002**
At 1 January 2019	3,331,886	(399,725)	2,932,161
Issue of shares for acquisition of entities under common control	4,090,177	–	4,090,177
Dividends *(Note 14)*	(248,054)	–	(248,054)
Issue of shares upon scrip dividend scheme *(Note 29)*	15,571	–	15,571
Loss and total comprehensive loss for the year	–	(668,008)	(668,008)
At 31 December 2019	7,189,580	(1,067,733)	6,121,847

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies:

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2020	2019	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Directly held by the Company:						
Jiayuan Investment Management Co., Ltd 佳源投資管理有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Indirectly held by the Company:						
Yangzhou Boyuan Investment Management Co., Ltd 揚州博源投資管理有限公司	PRC	**100%**	100%	RMB900,000,000	PRC	Investment holding
Nanjing Jiayuan Commercial Management Co., Ltd 南京佳源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Yangzhou Guoyuan Property Development Co., Ltd 揚州國源房地產開發有限公司	PRC	**100%**	100%	RMB100,000,000	PRC	Property development
Jiayuan (Hong Kong) Holdings Limited 佳源(香港)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Chuangyuan Holdings Limited 創源控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Huiyuan Investment Holdings Limited 徽源投資控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong	**100%**	100%	HKD990,000	Hong Kong	Investment and property holding
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau	**100%**	100%	Pataca de Macau 25,000	Macau	Property development and investment

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2020	Equity interest attributable to the Group 2019	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Ninggang Jiayuan Investment Consulting Group Limited 寧港佳源投資諮詢集團有限公司	PRC	**100%**	100%	RMB50,000,000	PRC	Investment holding
Taixing Mingyuan Property Development Co., Ltd 泰興市明源房地產開發有限公司	PRC	**100%**	100%	USD10,000,000	PRC	Property development
Guo Xiang Property Co., Ltd 國祥房地產有限公司	Hong Kong	**100%**	100%	HKD10,000	Hong Kong	Investment holding
Shenzhen Gangyuan Investment Consulting Co., Ltd 深圳港源投資諮詢有限公司	PRC	**100%**	100%	RMB100,000,000	PRC	Investment holding
Hengli Property Nantong Limited 恒力房地產南通有限公司	PRC	**100%**	100%	RMB607,750,000	PRC	Property development and investment
Yangzhou Xiangjiang New City Centre Property Limited 揚州香江新城市中心置業有限公司	PRC	**100%**	100%	RMB400,000,000	PRC	Property development and investment
Yangzhou Yurun Property Development Co., Ltd 揚州雨潤房地產開發有限公司	PRC	**100%**	100%	RMB100,000,000	PRC	Property development
Yangzhou Gangyuan Property Management Limited ("Yangzhou Gang Yuan") 揚州港源置業管理有限公司	PRC	**70%**	70%	RMB10,000,000	PRC	Property development
Taizhou Jia Yuan Property Development Co., Ltd 泰州市佳源房地產開發有限公司	PRC	**100%**	100%	RMB140,000,000	PRC	Property development and investment

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2020	2019	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Taixing Guangyuan Property Development Co., Ltd 泰興市廣源房地產開發有限公司	PRC	**100%**	100%	RMB300,000,000	PRC	Property development and investment
Suqian Jia Yuan Property Development Co., Ltd ("Suqian Jia Yuan") 宿遷市佳源房地產開發有限公司	PRC	**90%**	90%	RMB60,000,000	PRC	Property development
Haiyi International Land (Taicang) Co., Ltd 海藝國際置地(太倉)有限公司	PRC	**100%**	100%	RMB150,000,000	PRC	Property development
Nanjing Jiafeng Consulting Management Co., Ltd 南京嘉豐咨詢管理有限公司	PRC	**100%**	100%	RMB5,000,000	PRC	Investment holding
Enping Empire Resort and Spa Development Limited ("Enping Empire") 恩平市帝都溫泉旅遊區發展有限公司	PRC	**90%**	78.3%	RMB133,000,000	PRC	Property development
Nanjing Rongjia Shanju Construction Development Co., Ltd 南京融佳善居建設發展有限公司	PRC	**60%**	60%	RMB20,000,000	PRC	Property development
Hefei Shuoyuan Real Estate Development Co., Ltd 合肥市碩源房地產開發有限公司	PRC	**100%**	60%	RMB100,000,000	PRC	Property development
Xinjiang Jiayuan Building Development Co. Ltd 新疆佳源創建房地產開發有限公司	PRC	**90%**	63%	RMB216,300,000	PRC	Property development and investment
Shenzhen Xiangyuan Industry Co., Ltd 深圳市翔源實業有限公司	PRC	**100%**	70%	RMB100,000,000	PRC	Property development

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2020	2019			
Yangzhou Haoyuan Real Estate Development Co., Ltd 揚州浩源房地產開發有限公司	PRC	**100%**	100%	RMB20,000,000	PRC	Property development
Nanjing Xinhaoning Property Development Co., Ltd 南京新浩寧房地產開發有限公司	PRC	**70%**	100%	USD141,428,600	PRC	Property development
Nanjing Guangyuan science and Technology Industrial Park Management Co., Ltd 南京廣源科技產業園管理有限公司	PRC	**100%**	100%	USD150,000,000	PRC	Industrial Park Management
Shanghai Jiayuan Hucheng Real Estate Group Co., Ltd 上海佳源滬城房地產集團有限公司	PRC	**90%**	90%	RMB1,000,000,000	PRC	Investment holding
Anhui Mingyuan Enterprise Management Consulting Co., Ltd 安徽明源企業管理咨詢有限公司	PRC	**100%**	100%	RMB30,000,000	PRC	Enterprise Management Consulting
Shanghai Dingyuan Property Development Co., Ltd ("Shanghai Dingyuan") 上海定源房地產有限公司	PRC	**90%**	90%	RMB10,000,000	PRC	Property development and investment
Anhui Jiayuan Real Estate Group Co., Ltd 安徽佳源房地產集團有限公司	PRC	**100%**	100%	RMB200,000,000	PRC	Property development and investment
Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd 浙江佳源安徽房地產開發有限公司	PRC	**100%**	100%	RMB200,000,000	PRC	Property development
Hexian Jiayuan Real Estate Development Co., Ltd 和縣佳源房地產開發有限公司	PRC	**78.5%**	78.5%	RMB50,000,000	PRC	Property development

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2020	2019			
Guoyang Xinggang Real Estate Co., Ltd 渦陽縣星港置業有限公司	PRC	91%	91%	RMB200,000,000	PRC	Property development
Bengbu Mingyuan Real Estate Development Co., Ltd 蚌埠明源房地產開發有限公司	PRC	82.5%	82.5%	RMB171,250,000	PRC	Property development
Lujiang Jiayuan Real Estate Development Co., Ltd 廬江縣佳源房地產開發有限公司	PRC	42%	42%	RMB100,000,000	PRC	Property development
Anhui Shuyuan Real Estate Development Co., Ltd 安徽墅源房地產開發有限公司	PRC	100%	100%	RMB200,000,000	PRC	Property development
Shanghai Xiangyuan Real Estate Co., Ltd 上海祥源房地產有限公司	PRC	90%	100%	RMB5,010,000	PRC	Property development
Jiayuan Capital Limited 佳源資本有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Yangzhou Chongyuan Real Estate Development Co., Ltd 揚州崇源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Yangzhou Fengyuan Real Estate Development Co., Ltd 揚州丰源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Nanjing Kangxing Technology Industrial Park Operation Management Co., Ltd 南京康星科技產業園運營管理有限公司 (i)	PRC	66%	51%	RMB100,000,000	PRC	Property development

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2020	Equity interest attributable to the Group 2019	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Changshu Rongyuan Real Estate Development Co., Ltd 常熟榮源房地產開發有限公司 (i)	PRC	**100%**	–	RMB20,000,000	PRC	Property development
Hefei Chongyuan Real Estate Development Co., Ltd 合肥崇源房地產開發有限公司 (i)	PRC	**100%**	–	RMB100,000,000	PRC	Property development
Anhui Shanyuan Real Estate Development Co., Ltd 安徽善源房地產開發有限公司 (i)	PRC	**100%**	–	RMB100,000,000	PRC	Property development
Hefei Deyuan Real Estate Development Co., Ltd 合肥德源房地產開發有限公司 (i)	PRC	**51%**	–	RMB100,000,000	PRC	Property development
Hefei Suyuan Real Estate Development Co., Ltd 合肥溯源房地產開發有限公司 (i)	PRC	**100%**	–	RMB100,000,000	PRC	Property development
Zhengzhou Mingchuan Real Estate Development Co., Ltd 鄭州市名川房地產開發有限公司 (i)	PRC	**51%**	–	RMB70,000,000	PRC	Property development
Guangzhou Zhengyuan Real Estate Development Co., Ltd 廣州政源房地產開發有限公司 (i)	PRC	**100%**	–	RMB100,000,000	PRC	Property development
Jiayuan Services Holdings Limited 佳源服務控股有限公司 (i)	Cayman Islands	**75%**	–	HKD20,000,000	Hong Kong	Property management
Jiayuan South (Shenzhen) Group Co., Ltd 佳源南方(深圳)集團有限公司	PRC	**100%**	70%	RMB714,285,700	PRC	Property development and investment

(i) These subsidiaries are newly established or acquired by the Group during the year.

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

For those subsidiaries with equity interest of 50% or less, as the Group has the rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the power to determine the budget, pricing and promotion strategies of these companies. The Group thus has control over these companies.

The English names of the Mainland China companies 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 directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries is not disclosed.

41 EVENTS AFTER THE REPORTING PERIOD

On 13 January 2021, the Company entered into a sale and purchase agreement with the Ultimate Shareholder whereby the Company conditionally agreed to acquire and the Ultimate Shareholder agreed to sell the 100% equity interest of Luyuan Investment Holdings Limited ("Luyuan"), a company incorporated in the BVI, at the initial consideration of HKD7,247,560,000 (equivalent to approximately RMB6,142,000,000) which will be settled (i) as to HKD3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of convertible bonds by the Company; (ii) as to HKD2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue of 840,000,000 ordinary shares by the Company; and (iii) as to the remaining balance of HKD1,054,920,000 (equivalent to approximately RMB894,000,000) by cash. Luyuan and its subsidiaries are engaged in property development business in the PRC. As at the approval date of these consolidated financial statements, the transaction has not been completed.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Jiayuan International Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 199, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- 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.

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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 matters identified in our audit are summarised as follows:

- Assessment of net realisable value of inventories of properties
- Valuation of completed investment properties

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of inventories of properties	
Refer to Note 6 'Critical accounting estimates and judgements' and Note 23 'Inventories of properties' to the consolidated financial statements. Inventories of properties of the Group comprised mainly properties under development ("PUD") and properties held for sale ("PHS") amounting to RMB23,648 million and RMB10,463 million respectively as at 31 December 2019. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Determination of NRV of PUD and PHS involved critical accounting estimates on the selling prices, variable selling expenses and, for PUD, the estimated costs to completion. Given the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.	We performed the following audit procedures: (i) Assessed the accuracy and reliability of management's historical NRV assessment by comparing the parameters adopted in previous year to actual sales data in the current year, on a sample basis. (ii) Tested management's key accounting estimates, on a sample basis, for: • Selling prices – we compared the estimated selling prices to the prevailing market prices of comparable properties with similar type, size and location, and market conditions. • Variable selling expenses – we compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in the current year. • Estimated costs to completion for PUD – we compared the amounts to budget approved by management and inspected the related construction contracts; and compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found the key accounting estimates used in the assessment of NRV of inventories of properties were supportable by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of completed investment properties	
Refer to Notes 6 'Critical accounting estimates and judgements' and Note 17 'Investment properties' to the consolidated financial statements. The carrying amount of total investment properties of the Group was RMB7,842 million at 31 December 2019, of which RMB7,648 million were completed investment properties. Change in fair value of completed investment properties of RMB305 million was recognised in the consolidated income statement for the year. The Group's investment properties are measured at fair value model. Management engaged an independent external valuer to assist them to measure the fair values of investment properties. Valuation of completed investment properties is considered as a key audit matter because the determination of fair values for completed investment properties involved critical accounting judgements and estimates including monthly rentals, term yields and reversionary yields.	We performed the following audit procedures: (i) Evaluated the competence, capabilities, and objectivity of the independent external valuer engaged by the Group; (ii) Assessed the appropriateness of the valuation methodologies applied with the assistance of our internal valuation experts; (iii) Assessed the reasonableness of relevant key assumptions used in the valuations of completed investment properties including the monthly rental, term yields and reversionary yields, by benchmarking them to relevant comparable data; and (iv) Tested the key inputs used in the valuations, on a sample basis, to supporting evidence including rental contracts, market data and market information of comparable properties obtained from various sources. We found the key judgements and accounting estimates used in the valuation of the completed investment properties were supportable by available evidence.

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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, 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.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9 March 2020

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Revenue	7	**16,070,171**	13,616,003
Cost of sales		**(10,828,170)**	(9,112,135)
Gross profit		**5,242,001**	4,503,868
Other income	9	**308,478**	351,707
Other gains and losses	10	**(141,399)**	(179,135)
Net impairment reversal/(losses) on financial assets	4	**19,942**	(94,764)
Fair value change on investment properties	17	**437,238**	365,890
Fair value gain upon transfer of inventories of properties to investment properties	17	**–**	520,917
Fair value change on financial assets at fair value through profit or loss		**(80,378)**	12,930
Selling and marketing costs		**(303,407)**	(358,984)
Administrative expenses		**(492,296)**	(420,010)
Other expenses		**–**	(2,266)
Finance costs	11	**(282,698)**	(293,400)
Share of results of investments accounted for using the equity method	19	**82,056**	86,449
Profit before taxation		**4,789,537**	4,493,202
Income tax expense	12	**(2,329,054)**	(2,141,018)
Profit for the year		**2,460,483**	2,352,184
Profit for the year attributable to:			
– Owners of the Company		**2,050,664**	2,234,821
– Non-controlling interests		**409,819**	117,363
		2,460,483	2,352,184
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic and diluted	16	**52.03**	57.11

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Profit for the year		**2,460,483**	2,352,184
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations		**2,511**	(6,087)
Items that will not be reclassified to profit or loss:			
– Fair value change on investment in equity instruments at fair value through other comprehensive income		**–**	2,681
Other comprehensive income for the year, net of tax		**2,511**	(3,406)
Total comprehensive income for the year		**2,462,994**	2,348,778
Total comprehensive income attributable to:			
– Owners of the Company		**2,053,175**	2,233,197
– Non-controlling interests		**409,819**	115,581
		2,462,994	2,348,778

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Non-current assets			
Investment properties	*17*	**7,841,906**	7,571,718
Property and equipment	*18*	**132,880**	133,765
Intangible assets		**31,328**	1,487
Right-of-use assets	*3*	**10,694**	–
Investments accounted for using the equity method	*19*	**985,051**	245,465
Financial assets at fair value through profit or loss	*20*	**668,204**	80,871
Deposits paid for acquisitions	*21*	**1,167,684**	1,935,423
Deferred tax assets	*22*	**597,494**	559,179
Trade and other receivables	*24*	**124,934**	3,909
		11,560,175	10,531,817
Current assets			
Inventories of properties	*23*	**34,112,077**	32,080,889
Trade and other receivables	*24*	**7,177,335**	10,131,059
Financial assets at fair value through profit or loss	*20*	**168,775**	707,499
Prepaid income tax		**563,705**	513,848
Restricted/pledged bank deposits	*25*	**2,123,101**	2,103,123
Cash and cash equivalents	*25*	**6,030,412**	4,599,433
		50,175,405	50,135,851
Total assets		**61,735,580**	60,667,668
Current liabilities			
Trade and other payables	*26*	**6,395,483**	6,162,953
Pre-sale deposits received	*27*	**19,940,467**	17,264,139
Lease liabilities	*3*	**3,597**	–
Current income tax liabilities		**4,628,119**	3,156,105
Bank and other borrowings	*28*	**4,667,930**	7,012,996
Senior notes	*29*	**314,084**	4,477,446
		35,949,680	38,073,639
Net current assets		**14,225,725**	12,062,212
Total assets less current liabilities		**25,785,900**	22,594,029

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Non-current liabilities			
Bank and other borrowings	*28*	**7,462,249**	7,787,925
Derivative financial instruments	*29*	**238,387**	–
Lease liabilities	*3*	**7,317**	–
Pre-sale deposits received	*27*	**500,510**	647,722
Deferred tax liabilities	*22*	**779,587**	660,139
Senior notes	*29*	**4,960,692**	2,735,063
Other payables	*26*	**–**	226,500
		13,948,742	12,057,349
Equity attributable to owners of the Company			
Share capital	*30*	**33,870**	21,083
Reserves		**9,825,610**	9,045,432
		9,859,480	9,066,515
Non-controlling interests		**1,977,678**	1,470,165
Total equity		**11,837,158**	10,536,680
Total equity and non-current liabilities		**25,785,900**	22,594,029

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 86 to 199 were approved by the Board of Directors on 9 March 2020 and were signed on its behalf.

Zhang Yi	**Cheuk Hiu Nam**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (restated)	20,564	3,216,102	359,262	278,665	–	276,792	3,742,312	7,893,697	264,520	8,158,217
Profit for the year	–	–	–	–	–	–	2,234,821	2,234,821	117,363	2,352,184
Other comprehensive income for the year	–	–	2,011	–	(3,635)	–	–	(1,624)	(1,782)	(3,406)
Total comprehensive income for the year	–	–	2,011	–	(3,635)	–	2,234,821	2,233,197	115,581	2,348,778
Dividends *(Note 15)*	–	(625,286)	–	–	–	–	–	(625,286)	–	(625,286)
Issue of shares upon scrip dividend scheme	345	495,310	–	–	–	–	–	495,655	–	495,655
Capital injection received by entities under common control before acquisition	–	–	418,000	–	–	–	–	418,000	–	418,000
Capital contribution from non-controlling interests	–	–	(17,046)	–	–	–	–	(17,046)	177,591	160,545
Dividend paid by entities under common control before acquisition	–	–	–	–	–	–	(578,624)	(578,624)	(70,578)	(649,202)
Acquisitions of non-controlling interests	–	–	–	(46,667)	–	–	–	(46,667)	(11,333)	(58,000)
Issue of shares for acquisition of entities under common control	174	245,760	(615,790)	–	–	–	–	(369,856)	–	(369,856)
Acquisition of entities under common control	–	–	(300,000)	–	–	–	–	(300,000)	–	(300,000)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,134,164	1,134,164
Disposal of subsidiaries	–	–	(36,555)	–	–	–	–	(36,555)	(139,780)	(176,335)
Transfer to reserve	–	–	–	–	–	231,731	(231,731)	–	–	–
Balance at 31 December 2018 (restated)	21,083	3,331,886	(190,118)	231,998	(3,635)	508,523	5,166,778	9,066,515	1,470,165	10,536,680

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (restated)	21,083	3,331,886	(190,118)	231,998	(3,635)	508,523	5,166,778	9,066,515	1,470,165	10,536,680
Profit for the year	–	–	–	–	–	–	2,050,664	2,050,664	409,819	2,460,483
Other comprehensive income for the year	–	–	–	–	2,511	–	–	2,511	–	2,511
Total comprehensive income for the year	–	–	–	–	2,511	–	2,050,664	2,053,175	409,819	2,462,994
Dividends *(Note 15)*	–	(248,054)	–	–	–	–	–	(248,054)	–	(248,054)
Issue of shares upon scrip dividend scheme *(Note 30)*	45	15,571	–	–	–	–	–	15,616	–	15,616
Capital contribution from non-controlling interests *(Note 36)*	–	–	–	28,644	–	–	–	28,644	31,356	60,000
Dividend paid by entities under common control before acquisition	–	–	–	–	–	–	(751,766)	(751,766)	(42,259)	(794,025)
Issue of shares for acquisitions of entities under common control *(Note 1)*	12,742	4,090,177	(4,102,919)	–	–	–	–	–	–	–
Acquisition of entities under common control *(Note 1)*	–	–	(304,650)	–	–	–	–	(304,650)	–	(304,650)
Transfer to reserve	–	–	–	–	–	72,325	(72,325)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	116,492	116,492
Dividends to non-controlling interest	–	–	–	–	–	–	–	–	(7,895)	(7,895)
At 31 December 2019	33,870	7,189,580	(4,597,687)	260,642	(1,124)	580,848	6,393,351	9,859,480	1,977,678	11,837,158

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Notes	2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	*31(a)*	**8,829,870**	7,442,771
Income tax paid		**(828,531)**	(836,671)
Net cash generated from operating activities		**8,001,339**	6,606,100
Cash flows from investing activities			
Deposits paid for trust financing arrangements		**(157,620)**	(273,424)
Refund from deposits paid for trust financing arrangements		**377,612**	28,361
Additions of property and equipment	*18*	**(25,675)**	(19,078)
Proceeds from disposal of property and equipment	*31(b)*	**1,265**	217
Net cash flow on disposal of subsidiaries	*19(a)*	**(11,971)**	(71,632)
Additions of investment properties	*17*	**(180,590)**	(1,375,457)
Advances to related companies		**(1,825,715)**	(5,281,962)
Advances to non-controlling interests		**(562,614)**	(1,310,042)
Repayment from related companies		**3,479,249**	6,456,903
Repayment from non-controlling interests		**34,978**	1,851,132
Interest received		**318,923**	82,936
Refund from deposits paid for acquisitions		**470,015**	35,700
Payment for deposits paid for acquisitions		**(390,329)**	(558,374)
Net cash flow on acquisition of subsidiaries		**223,100**	(4,097,944)
Capital injection to investments accounted for using the equity method		**(447,116)**	(15,000)
Proceeds from disposal of investments accounted for using the equity method		**11,300**	–
Placement of restricted/pledged bank deposits		**(930,123)**	(2,905,992)
Withdrawal of restricted/pledged bank deposits		**965,974**	2,812,543
Purchase of financial assets at fair value through profit or loss		**(609,014)**	(410,508)
Disposal of financial assets at fair value through profit or loss		**475,393**	–
Net cash generated from/(used in) investing activities		**1,217,042**	(5,051,621)

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings		**7,819,614**	7,244,118
Repayment of borrowings		**(10,490,267)**	(8,947,269)
Principal elements of lease payments		**(2,641)**	–
Interest paid		**(1,776,490)**	(1,663,843)
Proceeds from issuance of senior notes		**2,730,999**	6,136,221
Repayment of senior notes	*29*	**(4,644,144)**	(3,918,140)
Contribution from ultimate shareholder		**300,000**	–
Payment for acquisitions of entities under common control		**(300,000)**	–
Advances from related parties		**234,960**	352,333
Repayment to related parties		**(682,959)**	(3,109,361)
Advances from non-controlling interests		**148,362**	523,252
Repayment to non-controlling interests		**(262,307)**	(200,314)
Dividend paid by entities under common control before acquisition		**(794,025)**	(24,486)
Dividends paid to non-controlling interests in subsidiaries		**(7,895)**	–
Dividends paid		**(232,438)**	(129,631)
Acquisition of additional interests in a subsidiary		**–**	(58,000)
Capital injection received by entities under common control before acquisition		**–**	100,000
Capital contribution from non-controlling interests		**60,000**	160,545
Net cash used in financing activities		**(7,899,231)**	(3,534,575)
Net increase/(decrease) in cash and cash equivalents		**1,319,150**	(1,980,096)
Cash and cash equivalents at beginning of year		**4,599,433**	6,392,341
Exchange gains on cash and cash equivalents		**111,829**	187,188
Cash and cash equivalents at end of year	*25*	**6,030,412**	4,599,433

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION

Jiayuan International Group Limited (the "Company") was incorporated on 5 May 2015 and registered in the Cayman Islands 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. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder").

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, property investment and provision of property management services.

These consolidated financial statements for the year ended 31 December 2019 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 9 March 2020.

1.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

Certain comparative amounts have been reclassified to conform to the current period's presentation. These reclassifications had no effect on reported total assets, liabilities, equity or profit.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVPL") and investment properties, which are carried at fair value.

1.2 Merger accounting for business combination involving entities under common control

On 21 January 2019, the Company completed the acquisition of the entire issued share capital of Chuangyuan Holdings Limited ("Chuangyuan"), a company incorporated in the BVI, from the Ultimate Shareholder (the "Chuangyuan Acquisition") in consideration of 50,180,189 new issued ordinary shares of the Company to the Ultimate Shareholder. The principal activities of Chuangyuan and its subsidiaries ("Chuangyuan Group") are provision of property management services in the PRC. Based on the market value of HKD4.4 per ordinary share of the Company on the completion date, the fair value of the consideration for Chuangyuan Acquisition is HKD220,793,000 (equivalent to RMB188,866,000).

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

On 26 April 2019, the Company entered into a sale and purchase agreement (as subsequently amended and supplemented) with the Ultimate Shareholder whereby the Company conditionally agreed to acquire 100% equity interest of Huiyuan Investment Holdings Limited ("Huiyuan"), a company incorporated in the BVI, in consideration of 1,377,959,475 new issued ordinary shares of the Company to the Ultimate Shareholder ("Huiyuan Acquisition"). The principal activities of Huiyuan and its subsidiaries ("Huiyuan Group") are property development and property investment in the PRC. As a condition of Huiyuan Acquistion, Huiyuan Group acquired 82.48% equity interest of Bengbu Mingyuan Real Estate Development Co., Ltd. and 42% equity interest of Lujiang Jiayuan Real Estate Development Co., Ltd. from Zhejiang Jiyuan Real Estate Group Co., Ltd. which is controlled by the Ultimate Shareholder, in aggregately consideration of RMB304,650,000 in April and May 2019, respectively. The consideration of RMB304,650,000 was settled by the balance of other receivables due from the entities controlled by the Ultimate Shareholder in August 2019. On 8 August 2019, Huiyuan Acquisition was completed. Based on the market value of HKD3.18 per ordinary share of the Company on the completion date, the fair value of the consideration for Huiyuan Acquisition is HKD4,381,911,000 (equivalent to RMB3,914,053,000).

The Company has applied merger accounting (Note 2.4.2) to the Chuangyuan Acquisition and Huiyuan Acquisition, being business combinations involving entities under common control, under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. The Group, Chuangyuan Group and Huiyuan Group are regarded as continuing entities. As a result, the 2018 comparative amounts in the consolidated financial statements are adjusted to present as if the acquired businesses had been combined at the beginning of 2018.

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements described above on the consolidated income statement for the year ended 31 December 2018 by line items is as follows:

	Year ended 31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Year ended 31 December 2018 RMB'000 (Restated)
Revenue	10,458,841	435,427	2,749,595	(27,860)	13,616,003
Cost of sales	(7,152,499)	(299,848)	(1,659,788)	–	(9,112,135)
Gross profit	3,306,342	135,579	1,089,807	(27,860)	4,503,868
Other income	336,393	4,902	10,412	–	351,707
Other gains and losses	(181,652)	2,055	462	–	(179,135)
Net impairment losses on financial assets	(75,746)	(7,027)	(11,991)	–	(94,764)
Fair value change on investment properties	354,996	–	10,894	–	365,890
Fair value gain upon transfer of inventories of properties to investment properties	520,917	–	–	–	520,917
Fair value change on financial assets at fair value through profit or loss	12,930	–	–	–	12,930
Selling and marketing costs	(297,569)	(4,725)	(56,690)	–	(358,984)
Administrative expenses	(310,252)	(33,948)	(103,670)	27,860	(420,010)
Other expenses	(2,266)	–	–	–	(2,266)
Finance costs	(208,208)	84	(85,276)	–	(293,400)
Share of results of investments accounted for using the equity method	1,093	–	85,356	–	86,449
Profit before taxation	3,456,978	96,920	939,304	–	4,493,202
Income tax expense	(1,594,092)	(21,708)	(525,218)	–	(2,141,018)
Profit for the year	1,862,886	75,212	414,086	–	2,352,184
Profit for the year attributable to:					
– Owners of the Company	1,794,430	66,654	373,737	–	2,234,821
– Non-controlling interests	68,456	8,558	40,349	–	117,363
	1,862,886	75,212	414,086	–	2,352,184

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements described above on the consolidated statement of comprehensive income for the year ended 31 December 2018 by line items is as follows:

	Year ended 31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Year ended 31 December 2018 RMB'000 (Restated)
Profit for the year	1,862,886	75,212	414,086	–	2,352,184
Other comprehensive income					
Item that may be reclassified to profit or loss:					
– Exchange differences arising on translation of foreign operations	(6,087)	–	–	–	(6,087)
Items that will not be reclassified to profit or loss:					
– Fair value gain on investment in equity instruments at fair value through other comprehensive income	–	2,681	–	–	2,681
Other comprehensive income for the year, net of tax	(6,087)	2,681	–	–	(3,406)
Total comprehensive income for the year	1,856,799	77,893	414,086	–	2,348,778
Total comprehensive income attributable to:					
– Owners of the Company	1,790,795	68,665	373,737	–	2,233,197
– Non-controlling interests	66,004	9,228	40,349	–	115,581
	1,856,799	77,893	414,086	–	2,348,778

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 December 2018 by line items is as follows:

	31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	31 December 2018 RMB'000 (Restated)
Non-current assets					
Investment properties	5,998,818	–	1,572,900	–	7,571,718
Property and equipment	113,539	7,778	12,448	–	133,765
Intangible assets	–	1,487	–	–	1,487
Investments accounted for using the equity method	31,691	–	213,774	–	245,465
Financial assets at fair value through profit or loss	80,871	–	–	–	80,871
Deposits paid for acquisitions	1,935,423	–	–	–	1,935,423
Deferred tax assets	446,337	1,730	111,112	–	559,179
Trade and other receivables	–	–	3,909	–	3,909
	8,606,679	10,995	1,914,143	–	10,531,817
Current assets					
Inventories of properties	26,119,077	144	5,961,668	–	32,080,889
Trade and other receivables	5,604,811	341,484	4,784,047	(599,283)	10,131,059
Financial assets at fair value through profit or loss	707,499	–	–	–	707,499
Prepaid income tax	375,722	–	138,126	–	513,848
Restricted/pledged bank deposits	1,427,072	1,351	674,700	–	2,103,123
Cash and cash equivalents	3,906,504	33,367	659,562	–	4,599,433
	38,140,685	376,346	12,218,103	(599,283)	50,135,851
Total assets	46,747,364	387,341	14,132,246	(599,283)	60,667,668
Current liabilities					
Trade and other payables	3,986,436	144,419	2,649,382	(617,284)	6,162,953
Pre-sale deposits received	10,219,413	44,320	7,000,405	1	17,264,139
Current income tax liabilities	2,507,291	36,904	611,910	–	3,156,105
Bank and other borrowings	4,801,296	–	2,211,700	–	7,012,996
Senior notes	4,477,446	–	–	–	4,477,446
	25,991,882	225,643	12,473,397	(617,283)	38,073,639

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 December 2018 by line items is as follows: (Continued)

	31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	31 December 2018 RMB'000 (Restated)
Net current assets	12,148,803	150,703	(255,294)	18,000	12,062,212
Total assets less current liabilities	20,755,482	161,698	1,658,849	18,000	22,594,029
Non-current liabilities					
Bank and other borrowings	7,773,825	–	14,100	–	7,787,925
Pre-sale deposits received	647,722	–	–	–	647,722
Deferred tax liabilities	655,833	186	4,120	–	660,139
Senior notes	2,735,063	–	–	–	2,735,063
Other payables	–	–	226,500	–	226,500
	11,812,443	186	244,720	–	12,057,349
Equity attributable to owners of the Company					
Share capital	21,083	–	283,250	(283,250)	21,083
Reserves	7,658,157	161,512	924,513	301,250	9,045,432
	7,679,240	161,512	1,207,763	18,000	9,066,515
Non-controlling interests	1,263,799	–	206,366	–	1,470,165
Total equity	8,943,039	161,512	1,414,129	18,000	10,536,680
Total equity and non-current liabilities	20,755,482	161,698	1,658,849	18,000	22,594,029

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The financial effect of the restatements to the Group's equity on 1 January 2018 is summarised below:

	1 January 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	1 January 2018 RMB'000 (Restated)
Share capital	20,564	–	183,250	(183,250)	20,564
Share premium	3,216,102	–	–	–	3,216,102
Special reserve	22,500	–	100,000	236,762	359,262
Other reserves	278,665	53,512	–	(53,512)	278,665
Statutory surplus reserve	219,705	8,617	48,470	–	276,792
Retained earnings	3,191,020	102,319	448,973	–	3,742,312
Total	6,948,556	164,448	780,693	–	7,893,697
Non-controlling interests	44,127	88,792	131,601	–	264,520
Total equity	6,992,683	253,240	912,294	–	8,158,217

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The financial effect of the restatements to the Group's equity on 31 December 2018 is summarised below:

	31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	31 December 2018 RMB'000 (Restated)
Share capital	21,083	–	283,250	(283,250)	21,083
Share premium	3,331,886	–	–	–	3,331,886
Special reserve	(593,290)	35,375	100,000	267,797	(190,118)
Other reserves	278,665	(33,453)	(46,667)	33,453	231,998
Exchange reserve	(3,635)	–	–	–	(3,635)
Statutory surplus reserve	380,068	14,829	113,626	–	508,523
Retained earnings	4,264,463	144,761	757,554	–	5,166,778
Total	7,679,240	161,512	1,207,763	18,000	9,066,515
Non-controlling interests	1,263,799	–	206,366	–	1,470,165
Total equity	8,943,039	161,512	1,414,129	18,000	10,536,680

The effect of the restatement on the Group's earnings per share for the year ended 31 December 2018 is as follows:

Basic and diluted

	RMB cents
As audited and originally stated	72.21
Adjustments arising from business combination under common control	(15.10)
Restated	57.11

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.

2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 "Leases";
- Prepayment features with negative compensation – amendments to HKFRS 9;
- Long-term interests in associates and joint ventures – amendments to HKAS 28;
- Annual improvements to HKFRS standards 2015-2017 cycle;
- Plan amendment, curtailment or settlement – amendments to HKAS 19; and
- Uncertainty over income tax treatment – HK (IFRIC) 23.

Except for HKFRS 16, the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (Note 3).

2.2 New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (Amendment)	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

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.

2.3.2 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.

2.3.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.4 Equity method

Under the equity method of accounting, interests in joint ventures and associates 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. When the Group's share of losses in a joint venture and associates equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture and associates 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 associates and its carrying value and recognises the amount adjacent to 'share of results of investment accounted for the equity method' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interests in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.5 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 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.

2.3.6 Disposals of interest in 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

2.4.1 Non-common control business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

2.4.2 Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

2.4.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

2.7 Foreign currency translation

(i) 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 are presented in RMB which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains and losses'.

(iii) Group companies

The results and financial positions of all the 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 presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. 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 on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land and building	Shorter of the term of lease or 50 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture, fittings and equipment	5–10 years
Computer equipment	3–5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains and losses' in the consolidated income statement.

2.9 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (Continued)

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Property management contracts

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts (6 years).

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. 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 units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVPL');
- those to be measured subsequently at fair value through other comprehensive income ('FVOCI'); 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 financial 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 FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains and losses'. 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 or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other gains and losses' in the period in which it arises. Interest income from these financial assets is included in the 'other income'.

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 OCI, 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 income statement as 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other gains and losses' in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2.13 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 – Financial instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables. For all other instruments, the Group measures the loss allowance equal to 12 months expected credit lossed ("ECL"), unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period, the change of fair value is recognised immediately in profit or loss within 'other gains and losses'.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 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 comprises cost of land use rights, construction costs, depreciation of machinery and equipment, 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.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.17 Properties held for sale

Properties remaining unsold at year 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.

2.18 Cash and cash equivalents

For purpose of presentation in the consolidated of statement of cash flows, cash and cash equivalent comprise cash on hand held by the Group, deposits held at call with financial institutions, other short-term, highly liquid investments, demand deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. 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 rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the consolidated statement of financial position.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

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.

2.22 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing costs (Continued)

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 adjustments to interest costs include the interest rate differences 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 for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.23 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.24 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, 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.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

2.25 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries and performance related bonus, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Performance related bonus is determined by reference to the performance of individuals and market trend. The liabilities are presented within "Trade and other payables" in the consolidated statement of financial position.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Contingent liabilities

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 and provision of 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 the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contracts with customers
Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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 buyer obtains control of the asset.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(i) *Sales of properties*

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at a point in time.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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. Revenue of sales of the properties for the Group is recognised at point in time.

In determing the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) *Property management*

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

Revenue from other sources

Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Leases

As explained in Note 3, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is set out in Note 3.

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and equipment in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, long-term leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal 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.

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 incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Accounting policies applied until 31 December 2018

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

(a) The Group is the lessee

(i) The Group is the lessee under operating lease other than land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(b) The Group is the lessor

Assets leased out under operating leases are included in investment properties. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

3 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.30.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.42%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease".

3 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Measurement of lease liabilities

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,432
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,430
(Less): Recognition exemption – short-term leases	(1,342)
Recognition exemption – low-value assets	(88)
Lease liability recognised as at 1 January 2019	–

The recognised lease liabilities relate to the following types of liabilities:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Current lease liabilities	3,597	–
Non-current lease liabilities	7,317	–
Total lease liabilities	10,914	–

(c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Leased properties	10,694	–

3 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) Measurement of right-of-use assets (Continued)

The following table presents the changes of right-of-use assets for the year ended 31 December 2019:

	2019 RMB'000	2018 RMB'000
Balance at 31 December	–	–
Adjustment on adoption of HKFRS 16	–	–
Restated opening balance	–	–
Additions	13,005	–
Depreciation	(2,311)	–
Closing net book amount	10,694	–

(d) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 RMB'000
Depreciation charge of right-of-use assets – leased properties	2,311
Interest expense (included in finance cost)	550
Expense relating to short-term leases (included in administrative expenses)	1,342
Expense relating to low-value leases (included in administrative expenses)	88

The total cash outflow for leases in 2019 was RMB4,071,000.

There was no net impact on retained earnings on 1 January 2019.

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at FVPL, trade and other receivables, restricted/pledged bank deposits, cash and cash equivalent, trade and other payables, bank and other borrowings and senior notes. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

(a) Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, loans receivables, bank and other borrowings and senior notes.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, cash and cash equivalent, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate and the lending rate quoted by the People's Bank of China arising from the Group's bank and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points (2018:100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points (2018: 100 basis points) higher/lower and all other variables held constant, the Group's profit for the year would decrease/increase by approximately RMB20,625,000 for the year ended 31 December 2019 (2018: RMB12,510,000).

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's restricted/pledged bank deposits and cash and cash equivalents as the directors of the Company consider that the exposure is minimal.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Foreign currency risk

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2019 and 2018, the Group has financial assets at FVPL, trade and other receivables, restricted/pledged bank deposits, cash and cash equivalent, bank and other borrowings and senior notes denominated in foreign currencies, which expose the Group to foreign currency risk and mainly concentrated on the exposure to United States dollar ("USD"), HKD and Australian Dollar ("AUD").

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000 (Restated)	**2019 RMB'000**	2018 RMB'000 (Restated)
USD	**1,888,234**	1,784,945	**6,085,279**	7,212,509
HKD	**479,830**	795,539	**2,503,467**	3,951,582
AUD	**545,511**	957,349	**–**	–
	2,913,575	3,537,833	**8,588,746**	11,164,091

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's financial assets at FVPL, trade and other receivables, restricted/pledged bank deposits, cash and cash equivalent, bank and other borrowings and senior notes denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before taxation for the year.

	USD Impact		HKD Impact		AUD Impact	
	2019 RMB'000	2018 RMB'000 (Restated)	**2019 RMB'000**	2018 RMB'000 (Restated)	**2019 RMB'000**	2018 RMB'000 (Restated)
Increase/(decrease) in profit before taxation for the year	**209,852**	271,378	**101,182**	157,802	**(27,276)**	(47,867)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, restricted/pledged bank deposits and cash and cash equivalents. The carrying amounts of trade and other receivables restricted/pledged bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and cash equivalents and restricted/pledged bank deposits
The credit risks on cash and cash equivalent, restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with acceptable credit ratings

Trade receivables
In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on financial assets at amortised cost collectively. In this regard, the directors of the Company consider that the Group's credit risk is effectively managed.

Other receivables
The credit risk of other receivables is managed through an internal process. The credit quality of each counterparty is investigated before credit is granted. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

Debt instruments
All of the entity's debt instruments at FVPL are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial guarantee contracts
For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The directors of the Company considered that the loss allowances on financial guarantee contracts at 1 January 2019 and 31 December 2019 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit 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 significantly reduced.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk(Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Buyers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2019 RMB'000	Gross carrying amount 2018 RMB'000
Financial assets at amortised cost				
Restricted/pledged bank deposits	Performing	12-month ECL	**2,123,101**	2,103,123
Cash and cash equivalents	Performing	12-month ECL	**6,030,412**	4,599,433
Trade receivables	Performing	Lifetime ECL (provision matrix)	**321,910**	169,791
Other receivables	Performing	12-month ECL	**1,198,163**	3,488,758
Other receivables	Performing	Lifetime ECL	**–**	869,717
Financial guarantee contracts	Performing	12-month ECL	**13,289,638**	11,269,932

(i) For restricted/pledged bank deposits and cash and cash equivalent, the Group determines the expected credit losses by referring to external credit rating of the related banks.

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix.

(iii) For other receivables, for the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

(iv) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The following tables show reconciliation of loss allowances that has been recognised for trade receivables and other receivables.

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
As at 1 January 2018	–	–	–
– Impairment losses recognised	1,228	34,105	35,333
– Impairment losses reversed	–	(252)	(252)
Receivables written off as uncollectable	(143)	–	(143)
New financial assets originated or purchased	5,851	53,832	59,683
As at 31 December 2018	6,936	87,685	94,621

	Trade receivables Lifetime ECL RMB'000	**Other receivables RMB'000**	**Total RMB'000**
As at 1 January 2019	**6,936**	**87,685**	**94,621**
– Impairment losses recognised	**2,490**	**–**	**2,490**
– Impairment losses reversed	**–**	**(22,432)**	**(22,432)**
Written off as uncollectable	**(25)**	**–**	**(25)**
As at 31 December 2019	**9,401**	**65,253**	**74,654**

No impairment allowance was made on restricted/pledged bank deposits, cash and cash equivalent, debt instruments and financial guarantee contracts at the end of each reporting period as the directors of the Company consider the effect is minimal.

Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt instruments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (RMB668,204,000; 2018: RMB500,758,000).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would renew the bank borrowings and issue new senior notes, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019					
Trade and other payables (excluding advances, business and other tax payables, accured charges, deposits and other payables)	3,944,611	–	–	3,944,611	3,944,611
Lease liabilities	5,501	3,631	4,280	13,412	10,914
Bank and other borrowings					
– Fixed rate	5,454,375	5,068,098	457,908	10,980,381	9,380,127
– Variable rate	428,744	309,980	2,440,073	3,178,797	2,750,052
Senior notes	805,328	670,805	5,743,048	7,219,181	5,274,776
	10,638,559	6,052,514	8,645,309	25,336,382	21,360,480
Financial guarantee					
– Mortgage guarantees	13,289,638	–	–	13,289,638	–
Total	23,928,197	6,052,514	8,645,309	38,626,020	21,360,480

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018 (restated)					
Trade and other payables (excluding advances, business and other tax payables, accured charges, deposits and other payables)	3,214,252	–	–	3,214,252	3,214,252
Bank and other borrowings					
– Fixed rate	7,080,058	4,300,358	2,787,782	14,168,198	13,132,920
– Variable rate	1,729,137	–	–	1,729,137	1,668,001
Senior notes	4,922,459	3,006,899	–	7,929,358	7,212,509
	16,945,906	7,307,257	2,787,782	27,040,945	25,227,682
Financial guarantee					
– Mortgage guarantees	11,269,932	–	–	11,269,932	–
Total	28,215,838	7,307,257	2,787,782	38,310,877	25,227,682

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets at fair value through profit or loss	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2019 RMB'000	2018 RMB'000		
Debt instruments in the PRC	–	65,913	Level 3	Market approach considers prices recently for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative.
Debt instruments in Hong Kong	107,827	–	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Debt instruments in overseas	545,511	419,887	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Deposits paid for life insurance policies	14,866	14,958	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Listed equity investments in Hong Kong	168,775	287,612	Level 1	Quoted bid prices in an active market.
Total	836,979	788,370		
Financial liabilities – Put options of senior notes recognised as derivative financial instruments	202,910	–	Level 2	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based observable inputs and the pure bond value.
Put options of senior notes recognised as derivative financial instruments	35,477	–	Level 3	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price in unobservable inputs and the pure bond value.
Total	238,387	–		

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2019 and 2018.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(i) Reconciliation of Level 1 fair value measurements of financial assets

	2019 RMB'000	2018 RMB'000
Balance at 1 January	287,612	–
Additions	14	275,642
Disposals	(40,292)	–
Fair value change	(82,146)	11,970
Exchange differences	3,587	–
Balance at 31 December	168,775	287,612

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	2019 RMB'000	2018 RMB'000
Balance at 1 January	500,758	69,122
Additions	609,013	370,206
Disposals	(517,247)	–
Fair value change	1,768	70
Interest income	80,572	63,791
Insurance expenses	(295)	(295)
Exchange differences	(6,365)	(2,136)
Balance at 31 December	668,204	500,758

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 2 fair value measurements of financial liabilities

	2019 RMB'000	2018 RMB'000
Balance at issue dates	72,902	–
Fair value change	129,327	–
Exchange differences	681	–
Balance at 31 December	202,910	–

(iv) Reconciliation of Level 3 fair value measurements of financial liabilities

	2019 RMB'000	2018 RMB'000
Balance at issue dates	106,995	–
Fair value change	(73,970)	–
Exchange differences	2,452	–
Balance at 31 December	35,477	–

The Group consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The fair value of financial assets and financial liabilities other than financial assets at FVPL of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category

	As at 31 December 2019		
	At FVPL RMB'000	At amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding deposits, advances and prepayments)	–	1,185,425	1,185,425
Restricted/pledged bank deposits	–	2,123,101	2,123,101
Cash and cash equivalent	–	6,030,412	6,030,412
Financial assets at fair value through profit or loss	836,979	–	836,979
Total	836,979	9,338,938	10,175,917
Liabilities as per consolidated statement of financial position			
Trade and other payables (excluding advances, business and other tax payables, accured charges and deposits)	–	3,944,611	3,944,611
Lease liabilities	–	10,914	10,914
Bank and other borrowings	–	12,130,179	12,130,179
Senior notes	–	5,274,776	5,274,776
Derivative financial instruments	238,387	–	238,387
Total	238,387	21,360,480	21,598,867

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category (Continued)

	As at 31 December 2018		
	At FVPL RMB'000	At amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding deposits, advances and prepayments)	–	1,310,566	1,310,566
Restricted/pledged bank deposits	–	2,103,123	2,103,123
Cash and cash equivalent	–	4,599,433	4,599,433
Financial assets at fair value through profit or loss	788,370	–	788,370
Total	788,370	8,013,122	8,801,492
Liabilities as per consolidated statement of financial position			
Trade and other payables (excluding advances, business and other tax payables, accured charges and deposits)	–	3,214,252	3,214,252
Bank and other borrowings	–	14,800,921	14,800,921
Senior notes	–	7,212,509	7,212,509
Total	–	25,227,682	25,227,682

5 CAPITAL MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debts include bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalent and restricted/pledged bank deposits.

The directors of the Company review the gearing ratio and capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The calculation of gearing ratio as at 31 December 2019 and 2018 was as follows:

	2019 RMB'000	2018 RMB'000
Bank and other borrowings	**12,130,179**	14,800,921
Senior notes	**5,274,776**	7,212,509
Total	**17,404,955**	22,013,430
Less: Cash and cash equivalents	**(6,030,412)**	(4,599,433)
Restricted/pledged bank deposits	**(2,123,101)**	(2,103,123)
Net debts	**9,251,442**	15,310,874
Total equity	**11,837,158**	10,536,680
Gearing ratio	**78.2%**	145.3%

6 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) Valuation of inventories of properties

The Group's inventories of properties are stated at the lower of cost and the net realisable value ("NRV"). The management of the Group make significant judgment on the estimation of selling prices, selling expenses and costs to completion in determining the NRV of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, the management of the Group determines the NRV of these inventories of properties by reference to the estimated costs to completion, costs to sale and selling prices of the inventories of properties, which takes into account a number of factors including the pre-sale units in the same project or comparable properties with similar type, size and location, and market conditions in the prevailing real estate markets. The directors of the Company estimate the costs to completion and costs to sale of the inventories of properties by reference to the actual development cost and selling expenses of other similar completed projects of the Group.

If there is an increase in costs to completion or a decrease in estimated selling prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of estimates of the management of the Group. Based on the management's estimation of the NRV of the inventories of properties, no impairment were considered to be necessary.

(b) Estimate of fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuer engaged by the Group. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates as explained in Note 17. In relying on the valuation reports, the management has exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions.

(c) Estimate of income tax expenses

Significant judgements are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax expense in the year which such determination is made.

The Group is subject to the land appreciation tax ("LAT") in the PRC. The details of the implementation have been announced by local tax bureaux in certain major cities, however, the Group is in the process of finalising the LAT calculation and payments with local tax bureaux in certain major cities in the PRC. Significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

7 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000 (Restated)
Types of goods and services		
Sales of properties	15,373,501	13,127,092
Property management services	485,778	318,246
Property rental	210,892	76,977
Sales and installation service of software and system equipment	–	89,322
Consulting service	–	4,366
Total	16,070,171	13,616,003
Revenue is recognised:		
Contracts with customers:		
– At a point in time	15,373,501	13,211,726
– Over time	485,778	327,300
	15,859,279	13,539,026
Other source: rental income	210,892	76,977
	16,070,171	13,616,003

Sales of properties by geographical markets

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000 (Restated)
Mainland China	14,062,528	13,127,092
Hong Kong	1,310,973	–
Total	15,373,501	13,127,092

There was no individual customer contributing over 10% of the total revenue for the years ended 31 December 2019 and 2018.

7 REVENUE (CONTINUED)

Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognized.

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end date and the expected timing of recognising revenue are as follows for sales of properties:

	2019 **RMB'000**	2018 RMB'000
Within one year	**17,050,839**	8,213,978
More than one year but not more than two years	**7,097,733**	8,796,683
More than two years	**–**	1,339,764
	24,148,572	18,350,425

8 SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group is principally engaged in property development revenue of which accounted for over 90% of total turnover.

No segment assets and liabilities are presented as they were not provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

In 2018, the Group identified two reportable segments – Property development and Property investment. During the year, the board of directors reassessed the performance and operation of the Group and concluded that the Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the PRC and more than 90% of the carrying values of the Group's non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

9 OTHER INCOME

	2019 **RMB'000**	2018 RMB'000 (Restated)
Interest income on loans receivable	**132,597**	190,491
Interest income on financial assets at fair value through profit or loss *(Note 4(d)(ii))*	**80,572**	63,791
Interest income on bank deposits	**79,860**	72,196
Government grant	**592**	1,944
Others	**14,857**	23,285
	308,478	351,707

10 OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000 (Restated)
Gains on disposal of investment in associates	**21,712**	–
Fair value change on derivative financial instruments	**(55,357)**	–
(Losses)/gains on disposals of property and equipment	**(5)**	115
Losses on disposals of financial assets at fair value through profit or loss	**(15,232)**	–
Losses on deemed disposal of a subsidiary *(Note 19(a)(i))*	**(39,709)**	–
Foreign exchange losses, net	**(61,144)**	(167,016)
Others	**8,336**	(12,234)
	(141,399)	(179,135)

11 FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (Restated)
Interest expenses:		
– Bank and other borrowings	**1,243,160**	1,395,105
– Senior notes	**621,541**	777,336
– Lease liabilities *(Note 3)*	**550**	–
	1,865,251	2,172,441
Loss on exchange of senior notes	**22,146**	–
	1,887,397	2,172,441
Less: amounts capitalised on qualifying assets	**(1,604,699)**	(1,879,041)
	282,698	293,400

Finance costs have been capitalised for investment properties under construction and inventories of properties under development at an average rate of 6.79% (2018: 6.36%) per annum for the year ended 31 December 2019.

12 INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000 (Restated)
Current income tax		
– Corporate income tax	**1,131,003**	1,063,579
– Land appreciation tax	**1,130,859**	1,030,723
	2,261,862	2,094,302
Deferred income tax *(Note 22)*	**67,192**	46,716
	2,329,054	2,141,018

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

Hong Kong profits tax has been provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the PRC are subject to land appreciation tax at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

12 INCOME TAX EXPENSES (CONTINUED)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Profit before income tax	**4,789,537**	4,493,202
Tax calculated at income tax rate of 25% (2018: 25%)	**1,197,384**	1,123,301
Effects of different tax rates applicable to different subsidiaries of the Group	**(16,301)**	(132)
Utilisation of tax losses not previously recognised as deferred income tax assets	**(22,431)**	(32,885)
Effects of share of post-tax results of investments accounted for using the equity method	**(20,514)**	(21,339)
Income not subject to tax	**(49,303)**	(46,151)
Tax effect of tax losses not recognised deferred income tax assets	**24,358**	15,411
Expenses not deductible for tax purpose	**367,717**	329,771
	1,480,910	1,367,976
Land appreciation tax	**1,130,859**	1,030,723
Tax effect of land appreciation tax	**(282,715)**	(257,681)
Income tax expenses	**2,329,054**	2,141,018

13 PROFIT FOR THE YEAR

Profit for the year was after charging:

	2019 RMB'000	2018 RMB'000 (Restated)
Cost of properties held for sale recognised as expenses	**10,480,894**	8,756,711
Depreciation charge of property and equipment	**12,785**	14,553
Depreciation charge of right-of-use assets *(Note 3)*	**2,311**	–
Auditors' remuneration		
– Audit services	**5,500**	2,530
– Non-audit services	**5,238**	5,164
	10,738	7,694
Employee benefit expense (including directors' emoluments)		
Salaries and other allowances	**443,688**	313,440
Retirement benefit costs	**24,812**	20,676
Capitalised in properties under development	**(46,270)**	(19,215)
	422,230	314,901

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

	Fees RMB'000	Salary and other allowance RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2019					
Executive directors					
Mr. Zhang Yi *(Note i)*	–	2,824	1,102	11	3,937
Ms. Cheuk Hiu Nam *(Note i)*	–	176	–	–	176
Mr. Huang Fuqing	–	979	1,321	27	2,327
Mr. Wang Jianfeng	–	1,286	602	16	1,904
Non-executive director					
Mr. Shum Tin Ching	–	829	–	16	845
Mr. Shen Xiaodong *(Note ii)*	–	879	402	16	1,297
Independent non-executive directors					
Mr. Tai Kwok Leung, Alexander	250	–	–	–	250
Dr. Cheung Wai Bun, Charles, JP	250	–	–	–	250
Mr. Gu Yunchang	250	–	–	–	250
	750	6,973	3,427	86	11,236

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salary and other allowance RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive directors					
Ms. Cheuk Hiu Nam *(i)*	–	200	–	–	200
Mr. Huang Fuqing	–	844	1,392	42	2,278
Mr. Wang Jianfeng	–	843	678	16	1,537
Non-executive director					
Mr. Shum Tin Ching	–	843	–	16	859
Independent non-executive directors					
Mr. Tai Kwok Leung, Alexander	200	–	–	–	200
Dr. Cheung Wai Bun, Charles, JP	200	–	–	–	200
Mr. Gu Yunchang	200	–	–	–	200
	600	2,730	2,070	74	5,474

(i) Mr. Zhang Yi was appointed as an executive director and the president of the Company on 17 February 2019, who also performed the duties of chief executive. Ms. Cheuk Hiu Nam ceased to be the Chief Executive Officer of the Company on 17 February 2019 while her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) Mr. Shen Xiaodong was appointed as a non-executive director of the Company on 17 February 2019. The non-executive director's emoluments shown above were for his services as a director of the Company.

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Directors' retirement benefits

During the year ended 31 December 2019, 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 (2018: nil).

(c) Directors' termination benefits

During the year ended 31 December 2019, no payments to the directors of the Company as compensation for the early termination of the appointment (2018: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2019, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2018: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During the year ended 31 December 2019, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2018: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Except for the transactions disclosed in Note 1.2 and 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 year (2018: nil).

(g) Five highest paid employees' emoluments

The five highest paid individuals included 3 directors (2018: 2) for the year ended 31 December 2019. The remunerations of the remaining 2 (2018: 3) highest paid individuals for the year are as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Employees		
– Salaries and other allowances	**2,195**	2,683
– Performance related bonus	**1,420**	1,895
– Retirement benefit scheme contributions	**47**	171
	3,662	4,749

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(g) Five highest paid employees' emoluments (Continued)

The remuneration were within the following bands:

	Number of individuals	
	2019	2018
HKD1,500,001 to HKD2,000,000	**–**	2
HKD2,000,001 to HKD2,500,000	**2**	1

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years.

15 DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
Final dividend declared for the prior year		
– HKD11 cents (2018: HKD19 cents) per share	**248,054**	405,036
Interim dividend		
– HKD nil (2018: HKD10 cents) per share	**–**	220,250
	248,054	625,286
Final dividend proposed in respect of current year:		
– HKD11 cents (2018: HKD11 cents) per ordinary share	**388,962**	247,441

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HKD11 cents (2018: HKD11 cents) per ordinary share, in an aggregate amount of HKD433,868,000, approximately RMB388,962,000, (2018: HKD281,727,000, approximately RMB247,441,000) taking into account 3,944,252,000 (2018: 2,561,151,991) ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period will be either payable in cash or in form of new fully paid shares of the Company in respect of part or all of such final dividend at shareholders' option. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

15 DIVIDENDS (CONTINUED)

During the year, share scrip alternatives were offered in respect of the dividends declared. These share scrip alternatives were accepted by shareholders, as follows:

	2019		2018	
	HKD'000	Equivalent to RMB'000	HKD'000	Equivalent to RMB'000
Dividends				
– Cash	**263,981**	**232,438**	147,901	129,631
– Scrip dividend alternative	**17,746**	**15,616**	565,813	495,655
	281,727	**248,054**	713,714	625,286

16 EARINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary share in issue during the year.

	2019	2018 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**2,050,664**	2,234,821
Weighted average number of ordinary shares for in issue (in thousands)	**3,941,295**	3,913,111
Basic earnings per share (RMB cents)	**52.03**	57.11

(b) Diluted earnings per share

For the years ended 31 December 2019 and 2018, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both years.

17 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Fair value			
At 1 January 2018 (restated)	2,526,142	2,063,200	4,589,342
Additions	13,085	1,362,372	1,375,457
Exchange differences	–	17,183	17,183
Acquisition of a subsidiary	–	27,846	27,846
Transfer from inventories of properties	675,083	–	675,083
Transfer upon completion	838,000	(838,000)	–
Fair value gain upon transfer of inventories of properties to investment properties	520,917	–	520,917
Fair value change	89,606	276,284	365,890
At 31 December 2018 (restated)	4,662,833	2,908,885	7,571,718
Additions	–	180,590	180,590
Deemed disposal of a subsidiary	–	(344,704)	(344,704)
Transfer to properties under development	(2,936)	–	(2,936)
Transfer upon completion	2,683,222	(2,683,222)	–
Fair value change	304,561	132,677	437,238
At 31 December 2019	**7,647,680**	**194,226**	**7,841,906**

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2019 and 2018, the Group had only level 3 investment properties.

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2019 and 2018 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or

(ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

(iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits.

There were no changes to the valuation techniques during the year.

17 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,647,680	Income capitalisation	Montly rentals (per square meter/month)	RMB45-RMB234
			Term yields	1.5%-6.5%
			Reversionary yields	2%-7%
Investment properties under construction	129,426	Residual method	Budgeted construction cost to be incurred	RMB 79.2 Million
			Anticipated developer's profit	3%-20%
Investment properties under construction	64,800	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,829-RMB1,919

	Fair value as at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	4,662,833	Income capitalisation	Montly rentals (per square meter/month)	RMB39-RMB225
			Term yields	1.5%-6%
			Reversionary yields	3.5%-7%
Investment properties under construction	2,865,785	Residual method	Budgeted construction cost to be incurred	RMB128.1 Million
			Anticipated developer's profit	3%-20%
Investment properties under construction	43,100	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB957-RMB1,815

17 INVESTMENT PROPERTIES (CONTINUED)

Relationships of unobservable inputs to fair value are as follows:

- The higher monthly rentals, the higher fair value;
- The higher term yields, the lower fair value;
- The higher reversionary yields, the lower fair value;
- The higher budgeted construction cost to be incurred, the lower fair value; and
- The higher the anticipated developer's profit, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2019 RMB'000	2018 RMB'000 (Restated)
Rental income	**210,892**	76,977
Fair value change on investment properties	**437,238**	365,890
Fair value gain upon transfer of inventories of properties to investment properties	**–**	520,917
	648,130	963,784

Operating expenses is not material for the year ended 31 December 2019 and 2018.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

18 PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fitting and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost							
At 1 January 2018 (restated)	111,945	3,239	29,469	2,139	4,956	30,151	181,899
Additions	56	406	6,600	507	1,433	10,076	19,078
Acquisition of subsidiaries	22,455	1,406	679	129	210	1,853	26,732
Disposal of subsidiaries	(29,099)	–	(9,133)	–	–	(168)	(38,400)
Disposals	–	(190)	(936)	–	(15)	(1,027)	(2,168)
At 31 December 2018 (restated)	105,357	4,861	26,679	2,775	6,584	40,885	187,141
Additions	80	577	9,376	720	2,036	12,886	25,675
Acquisition of subsidiaries	1,431	90	43	8	13	118	1,703
Disposal of subsidiaries	(6,630)	(306)	(1,679)	(175)	(414)	(2,573)	(11,777)
Disposals	–	(132)	(651)	–	(10)	(714)	(1,507)
At 31 December 2019	100,238	5,090	33,768	3,328	8,209	50,602	201,235
Accumulated depreciation							
At 1 January 2018 (restated)	(8,623)	(1,265)	(10,673)	(1,094)	(3,814)	(17,754)	(43,223)
Charge for the year	(2,677)	(1,092)	(3,158)	(485)	(663)	(6,724)	(14,799)
Disposal of subsidiaries	1,593	–	986	–	–	1	2,580
Disposals	–	181	893	–	15	977	2,066
At 31 December 2018 (restated)	(9,707)	(2,176)	(11,952)	(1,579)	(4,462)	(23,500)	(53,376)
Charge for the year	(3,241)	(1,162)	(3,604)	(516)	(706)	(7,157)	(16,386)
Disposal of subsidiaries	212	48	261	35	98	516	1,170
Disposals	–	21	102	–	2	112	237
At 31 December 2019	(12,736)	(3,269)	(15,193)	(2,060)	(5,068)	(30,029)	(68,355)
Carrying values							
At 31 December 2019	87,502	1,821	18,575	1,268	3,141	20,573	132,880
At 31 December 2018 (restated)	95,650	2,685	14,727	1,196	2,122	17,385	133,765

The leasehold land and buildings are located in Hong Kong and the PRC.

The land and buildings elements of a lease of land and buildings cannot be allocated reliably between the land and buildings elements, and the lease is treated as property and equipment.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

18 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated income statement respectively.

	2019 RMB'000	2018 RMB'000
Properties under development	**3,601**	246
Cost of sales	**1,143**	70
Selling and marketing costs	**35**	43
Administrative expenses	**11,607**	14,440
	16,386	14,799

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Interests in joint ventures *(Note (a))*	**931,896**	39,900
Interests in associates *(Note (b))*	**53,155**	205,565
	985,051	245,465

(a) Interests in joint ventures

	2019 RMB'000	2018 RMB'000 (Restated)
At 1 January	**39,900**	936
Additions	**735,169**	–
Transfer from subsidiaries *(Note (i))*	**107,423**	–
Share of results	**49,404**	38,964
At 31 December	**931,896**	39,900

The entities listed below have share registered capital/share capital, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion voting rights held. The joint ventures are unlisted companies and there are no quoted market prices available for its equity interests.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

Name of entity	Place of incorporation	Proportion of ownership interest held 2019	2018	Principal activity
Nanjing Kangxing Science and Technology Industrial Park Operation Management Co., Ltd. ("Nanjing Kangxing") 南京康星科技產業園營運有限公司	PRC	51%	–	Property development
Dongfangsuoqi Investment Development Group Co., Ltd. ("Dongfangsuoqi") 東方索契投資發展集團有限公司	PRC	36%	–	Property development
Chongqing Jiabao Property Management Co., Ltd ("Chongqing Jiabao") 重慶佳寶物業管理有限公司	PRC	51%	–	Property management
Lujiang Biyuan Real Estate Development Co., Ltd 廬江碧源房地產開發有限公司	PRC	50%	50%	Property development
Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd ("Yancheng Xingzhou") 鹽城星洲佳源房地產開發有限公司	PRC	65%	–	Property development
Gang Yuan (Cambodia) Development Co.,Ltd (i)	Cambodia	50%	–	Property development
Meijia (Pingtan) Cultural Tourism Development Co., Ltd 美佳(平潭)文化旅遊發展有限公司	PRC	30%	–	Cultural Tourism Development
Zhejiang Xingjia Property Service Co., Ltd ("Zhejiang Xingjia") 浙江星佳物業服務有限公司	PRC	51%	–	Property management

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

According to the Articles of these entities, all significant and relevant matters of these entities require unanimous consent among the shareholders. Therefore these entities are accounted as joint ventures of the Group.

(i) Gang Yuan (Cambodia) Development Co., Ltd ("Gang Yuan") was a wholly-owned subsidiary of the Group incorporated in Cambodia before 21 July 2019. On 25 June 2019, a joint venture agreement was entered into with Hongzhou Jin Jia Real Estate Co., Ltd, an independent third party, to inject additional capital of US$10,000,000 into Gang Yuan, which represented 50% of the share capital of Gang Yuan. Upon completion of the capital injection and the amendment of its Articles on 21 July 2019, Gang Yuan became a joint venture of the Group. As the result, the transaction was treated as a deemed disposal of a subsidiary.

Details of the deemed disposal are as follows:

	RMB'000
Consideration	
– Fair value of 50% equity interest in Gang Yuan	107,423
Net assets of Gang Yuan disposed of	(147,132)
Loss on disposal	(39,709)
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	–
– Less: cash and cash equivalents in Gang Yuan disposed of	11,971
Net cash outflow on disposals	(11,971)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

(ii) As at 31 December 2019, there are no significant contingent liabilities and commitments relating to the Group's interest in the joint ventures (2018: nil).

(iii) In the opinion of the directors, none of the above joint ventures are individually material to the Group. Set out below is the summarised financial information of the joint ventures and Group's share of results:

	2019 RMB'000	2018 RMB'000 (Restated)
Carrying amount in the consolidated financial statements	**931,896**	39,900
Aggregate amounts of the Group's share of:		
Profit for the year	**49,404**	38,964
Total comprehensive income	**49,404**	38,964

(b) Interests in associates

	2019 RMB'000	2018 RMB'000 (Restated)
At 1 January	**205,565**	158,080
Additions	**1,600**	–
Transfer to subsidiaries *(Note (i))*	**(104,933)**	–
Disposals	**(81,729)**	–
Share of results	**32,652**	47,485
At 31 December	**53,155**	205,565

The entities listed below have share registered capital/share capital, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion voting rights held. The associates are unlisted companies and there are no quoted market prices available for its equity interests.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in associates (Continued)

Name of entity	Country of incorporation	% of ownership interest 2019	% of ownership interest 2018	Principal activity
Mengcheng Biguiyuan Real Estate Development Co., Ltd 蒙城縣碧桂園房地產開發有限公司	PRC	**30%**	30%	Property development
Pinghu City Jiayuan Tourism Development Co., Ltd 平湖市佳源旅遊開發有限公司	PRC	**–**	22%	Property development
Guoyang Mingbang Development Co., Ltd 渦陽名邦置業有限公司 ("Guoyang Mingbang") (i)	PRC	**–**	51%	Property development
Changxing Jiayuan Real Estate Development Co., Ltd 長興佳源房地產開發有限公司	PRC	**–**	30%	Property development
Shenzhen Shengyuan Zhiben Commercial Factoring Co., Ltd. 深圳市盛元智本商業保理有限公司	PRC	**–**	30%	Financial services

In the opinion of the directors, none of the above associates are individually material to the Group. Set out below is the summarised financial information of the associates and Group's share of results:

	2019 RMB'000	2018 RMB'000 (Restated)
Carrying amount in the consolidated financial statements	**53,155**	205,565
Aggregate amounts of the Group's share of:		
Profit for the year	**32,652**	47,485
Total comprehensive income	**32,652**	47,485

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investment in associates (Continued)

(i) Guoyang Mingbang was an associate of the Group with 51% equity interest as the Group was not in a position to control the board of Guoyang Mingbang. On 30 April 2019, the Group entered an agreement with Anhui Mingbang Real Estate Co., Ltd ("Anhui Ming Bang"), an independent third party shareholder of Guoyang Mingbang to revise original shareholder's agreement of Guoyang Mingbang. Upon the execution of the agreement, the Group obtained control in Guoyang Mingbang, which became a subsidiary of the Group. The transaction was treated as business combination of a subsidiary.

Details of the consideration and the financial information of Guoyang Mingbang on the acquisition date is summarised as follows:

	RMB'000
Purchase consideration	
– Fair value of investments in the associate held before business combination	105,706
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Property and equipment	568
Inventories of properties	1,052,600
Prepaid income tax	38,926
Trade and other receivables	94,063
Restricted/pledged bank deposits	55,621
Cash and cash equivalent	216,669
Trade and other payables	(65,869)
Pre-sale deposits received	(1,151,485)
Deferred tax liabilities	(33,826)
Total identifiable net assets	207,267
Non-controlling interests	(101,561)
	105,706
Cash flows on business combination, net of cash acquired	
– cash considerations	–
– cash and cash equivalents in the subsidiaries acquired	216,669
Net cash inflow on acquisitions	216,669

The acquired business contributed total revenues of RMB1,271,156,000 and net profit of RMB174,631,000 to the Group for the period from their respective acquisition date to 31 December 2019. Had this business been consolidated from 1 January 2019, the consolidated income statement would show pro-forma revenue of RMB16,188,681,000 and profit for the year attributable to owners of the Company of RMB2,050,664,000.

Upon completion of the transactions on 30 April 2019, the difference between the fair value with the carrying amount of investment in Guoyang Ming Bang of RMB773,000 was recognised as "other gains and losses".

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investment in associates (Continued)

(ii) As at 31 December 2019, there are no significant contingent liabilities and commitments relating to the Group's interest in the associates (2018: nil).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Debt instruments in the PRC	107,827	–
Debt instruments in Hong Kong	–	65,913
Debt instruments in overseas	545,511	419,887
Deposits paid for a life insurance policy	14,866	14,958
Listed equity investments in Hong Kong	168,775	287,612
	836,979	788,370
Less: non-current portion	(668,204)	(80,871)
	168,775	707,499

(a) Debt instruments in overseas represents investment in private funds in Australia.

(b) During the year, the following gains/(losses) were recognised in profit or loss:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Fair value change on equity investments at FVPL	(82,146)	11,970
Fair value change on debt instruments at FVPL	1,768	70
Interest income on financial assets at FVPL	80,572	63,791
	194	75,831

(c) Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

21 DEPOSITS PAID FOR ACQUISITIONS

The Group from time to time enters into agreements with various parties in relation to the acquisition of interest in certain entities which are principally engaged in property development in the PRC. As at 31 December 2019, the Group had made total deposits of RMB1,167,684,000 (31 December 2018: RMB1,935,423,000) in relation to these acquisitions. According to these agreements, in case the acquisitions cannot be completed, the deposits paid will be fully refunded to the Group.

22 DEFERRED INCOME TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years:

Deferred tax assets

	Accrued LAT RMB'000	Revenue recognition RMB'000	Tax losses RMB'000	Loss allowance RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018 (restated)	176,382	175,882	34,522	17,017	782	404,585
Acquisition of subsidiaries	–	–	–	260	–	260
Recognised in profit or loss	160,174	2,564	7,220	4,460	564	174,982
At 31 December 2018 (restated)	336,556	178,446	41,742	21,737	1,346	579,827
At 1 January 2019	336,556	178,446	41,742	21,737	1,346	579,827
Disposal of a subsidiary	–	–	–	–	(59)	(59)
Recognised in profit or loss	67,404	(34,805)	7,372	1,576	520	42,067
At 31 December 2019	403,960	143,641	49,114	23,313	1,807	621,835

Deferred tax liabilities

	Fair value of investment properties RMB'000	Revaluation due to business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018 (restated)	(416,528)	(42,371)	–	(458,899)
Acquisition of subsidiaries	–	–	(190)	(190)
Recognised in profit or loss	(221,702)	–	4	(221,698)
At 31 December 2018 (restated)	(638,230)	(42,371)	(186)	(680,787)
At 1 January 2019	(638,230)	(42,371)	(186)	(680,787)
Acquisition of subsidiaries	–	(33,826)	(5,052)	(38,878)
Disposal of a subsidiary	24,996	–	–	24,996
Recognised in profit or loss	(109,309)	–	50	(109,259)
At 31 December 2019	(722,543)	(76,197)	(5,188)	(803,928)

22 DEFERRED INCOME TAX (CONTINUED)

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Analysed for reporting purpose after netting off:		
Deferred tax assets	**597,494**	559,179
Deferred tax liabilities	**(779,587)**	(660,139)
	(182,093)	(100,960)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB7,978,370,000 (2018:RMB5,665,263,000). Based on management's estimation of overseas funding requirements, such earnings are expected to be retained by the subsidiaries in the PRC for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future.

At 31 December 2019, the Group had unused tax losses of RMB359,097,000 (31 December 2018: RMB348,970,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB196,456,000 (31 December 2018: RMB166,968,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
2019	**–**	27,069
2020	**11,461**	11,461
2021	**5,306**	5,306
2022	**37,012**	76,522
2023	**11,430**	61,644
2024	**97,432**	–
	162,641	182,002

23 INVENTORIES OF PROPERTIES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
At cost:		
Properties under development	**23,648,474**	26,514,141
Properties held for sale	**10,462,723**	5,566,603
Others	**880**	145
	34,112,077	32,080,889

The operating cycle of the Group's property development projects generally ranges from one to two years.

The Group's inventories of properties are situated in the PRC, Hong Kong and Macao (2018: the PRC and Hong Kong).

Amounts of properties under development comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
– Construction costs including depreciation and staff cost capitalised	**7,839,524**	10,821,939
– Land use rights	**14,059,202**	13,910,502
– Borrowing costs capitalised	**1,749,748**	1,781,700
	23,648,474	26,514,141

As at 31 December 2019, properties under development of RMB8,446,822,000 (2018: RMB14,030,601,000) is expected to be realised after twelve months from the end of the reporting date.

The capitalisation rate used to capitalise interest on general borrowings in 2019 was 6.79% (2018: 6.36%) per annum.

23 INVENTORIES OF PROPERTIES (CONTINUED)

The inventories of properties of the Group are located in:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Mainland China	**27,693,586**	26,401,469
Hong Kong	**2,908,609**	5,679,420
Macao	**3,509,882**	–
	34,112,077	32,080,889

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

24 TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade receivables (a)	**321,910**	169,791
Other receivables (b)	**5,957,013**	8,509,584
Prepayments (c)	**1,098,000**	1,550,214
	7,376,923	10,229,589
Less: loss allowance	**(74,654)**	(94,621)
	7,302,269	10,134,968
Less: Non-current portion of other receivables (b)	**(124,934)**	(3,909)
Current portion of trade and other receivables	**7,177,335**	10,131,059

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Details of trade receivables are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade receivables	**321,910**	169,791
Less: allowance for impairment	**(9,401)**	(6,936)
Trade receivables – net	**312,509**	162,855

Trade receivables mainly arise from sales of properties, properties rental and properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
0-60 days	**187,875**	61,131
61-180 days	**83,805**	34,156
181-365 days	**19,008**	52,436
Over 1 year	**31,222**	22,068
	321,910	169,791

As at 31 December 2019 and 2018, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB9,401,000 (2018: RMB6,936,000) was made against the gross amounts of trade receivables (Note 4(b)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Details of other receivables are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Advances to related parties	**2,225,715**	3,479,249
Advances to non-controlling interest	**809,626**	281,990
Advances to investees for acquisitions of land use rights	**–**	1,543,472
Deposits paid for acquisitions of land use rights	**420,000**	456,199
Projects related deposits (i)	**911,030**	847,354
Deposits for trust financing arrangements (ii)	**146,719**	366,711
Other deposits (iii)	**453,642**	275,022
Advance to staff	**55,112**	49,393
Loans receivable	**587,929**	705,376
Interest receivable	**190,234**	164,341
Other receivables	**157,006**	340,477
	5,957,013	8,509,584
Less: allowance for impairment	**(65,253)**	(87,685)
	5,891,760	8,421,899
Less: non-current portion of deposits for trust financing arrangements (ii)	**(124,934)**	(3,909)
Current portion of other receivables – net	**5,766,826**	8,417,990

(i) The amount mainly represents the deposits placed at the request of local government. The deposits will be refunded to the Group upon the completion of projects.

(ii) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.

(iii) Other deposits mainly represent temporary payments for potential property development projects to local government. There is no fixed repayment term for these other deposits and the directors of the Company consider they are repayable upon demand.

The above other receivables are unsecured and non-interest bearing, except for the loans receivables which are interest bearing at rates ranging from 12% to 23% (2018: 12% to 23%) per annum.

(c) Prepayments mainly represent prepayments for construction cost, and business and other taxes.

25 RESTRICTED/PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Cash at banks and on hand	**8,153,513**	6,702,556
Less: Restricted/pledged bank deposits		
– Pledged bank deposits for mortgage guarantees *(Note (a))*	**(259,083)**	(143,373)
– Pledged bank deposits for bank borrowings	**–**	(1,822,108)
– Restricted bank deposits *(Note (b))*	**(1,864,018)**	(137,642)
	(2,123,101)	(2,103,123)
Cash and cash equivalents	**6,030,412**	4,599,433

(a) These deposits were pledged to banks, to secure the mortgage provided to customers, and will be released upon obtaining building ownership certificates by customers.

(b) Restricted bank deposits represent deposits placed in bank accounts in accordance with the applicable government regulations. These bank balances can only be applied in designated property development projects, and they carry prevailing interest at the rate of 0.38% (2018: 0.38%) per annum as at 31 December 2019.

(c) Cash at banks and deposits held at call carry prevailing market interest rates ranging from 0.01% to 3.65% (2018: 0.01% to 2.20%) per annum as at 31 December 2019.

As at 31 December 2019, the cash at banks are denominated in below currencies:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
RMB	**6,128,425**	4,545,414
HKD	**258,457**	458,622
USD	**1,765,541**	1,698,520
Others	**1,090**	–
	8,153,513	6,702,556

The conversion and the remittance of RMB out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

26 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade payables (a)	**3,639,200**	3,013,951
Advances from non-controlling interests	**729,885**	843,830
Business and other taxes payable	**514,091**	438,479
Other deposits received (b)	**375,913**	505,025
Deposits related to sales of properties	**268,363**	223,406
Advances from related parties	**234,960**	682,959
Receipts on behalf of property residents	**210,411**	103,285
Accrued charges	**101,160**	239,900
Consideration payable for acquisition of subsidiaries	**95,000**	97,016
Advance from lessee	**–**	15,102
Other consideration payables (c)	**226,500**	226,500
	6,395,483	6,389,453
Less: Non-current portion of other payables (c)	**–**	(226,500)
Current portion of trade and other payables	**6,395,483**	6,162,953

Notes:

(a) Trade payables comprise construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables granted to the Group is 30 days.

The following is an ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
0-60 days	**2,152,245**	1,214,667
61-180 days	**751,103**	836,029
181-365 days	**298,295**	491,048
Over 1 year	**437,557**	472,207
	3,639,200	3,013,951

(b) Amounts mainly represented various deposits received from contractors in relation to tendering and execution of construction contracts.

(c) The Group in 2018 acquired Guoyang Xinggang Development Co., Ltd. (渦陽縣星港置業有限公司) from an independent third party vendor. Pursuant to the sales and purchase agreement, as a part of the considerations, the Group is required to transfer 50,000 sq.m. of the completed properties to the vendor. The amount represented the estimated value of the properties to be delivered to the vendor on completion.

27 PRE-SALE DEPOSITS RECEIVED

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Contract liabilities related to sales of properties	**18,780,511**	16,476,241
Contract liabilities related to property management services	**73,018**	44,320
Value-added tax payable	**1,587,448**	1,391,300
	20,440,977	17,911,861
Less: non-current portion	**(500,510)**	(647,722)
Current portion	**19,940,467**	17,264,139

The following table shows the amount of the revenue recognised in the current year which relates to carried-forward contract liabilities.

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**13,864,156**	10,124,147

The Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the sale of the completed property is recognised.

28 BANK AND OTHER BORROWINGS

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Bank loans		
– secured	**3,612,555**	6,528,528
– secured and guaranteed	**447,500**	118,347
– unsecured	**500**	–
	4,060,555	6,646,875
Trust loans (b)		
– secured	**1,292,305**	3,700,400
– secured and guaranteed	**5,723,300**	2,130,800
– unsecured	**687,624**	–
	7,703,229	5,831,200
Other loans (c)		
– secured	**66,395**	2,272,846
– secured and guaranteed	**300,000**	50,000
	366,395	2,322,846
	12,130,179	14,800,921

28 BANK AND OTHER BORROWINGS (CONTINUED)

(a) The borrowings are repayable as follows:

	31 December 2019			
	Bank loans RMB'000	Trust loans RMB'000	Other loans RMB'000	Total RMB'000
Within one year or on demand	**489,500**	**4,112,035**	**66,395**	**4,667,930**
More than one year, but not exceeding two years	**1,120,483**	**3,250,154**	**300,000**	**4,670,637**
More than two years, but not exceeding five years	**2,450,572**	**341,040**	**–**	**2,791,612**
	4,060,555	**7,703,229**	**366,395**	**12,130,179**
Less: Amount due within one year or on demand shown under current liabilities	**(489,500)**	**(4,112,035)**	**(66,395)**	**(4,667,930)**
Amount shown under non-current liabilities	**3,571,055**	**3,591,194**	**300,000**	**7,462,249**

	31 December 2018			
	Bank loans RMB'000	Trust loans RMB'000	Other loans RMB'000	Total RMB'000
Within one year or on demand	1,209,350	5,285,600	518,046	7,012,996
More than one year, but not exceeding two years	2,802,730	545,600	1,442,305	4,790,635
More than two years, but not exceeding five years	2,634,795	–	362,495	2,997,290
	6,646,875	5,831,200	2,322,846	14,800,921
Less: Amount due within one year or on demand shown under current liabilities	(1,209,350)	(5,285,600)	(518,046)	(7,012,996)
Amount shown under non-current liabilities	5,437,525	545,600	1,804,800	7,787,925

28 BANK AND OTHER BORROWINGS (CONTINUED)

(b) These borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

(c) Other loans mainly represent secured loans obtained from asset management companies.

(d) Fixed-rate borrowings amounting to RMB9,380,127,000 (31 December 2018: RMB13,132,920,000) carry interest ranging from 1.55% to 14.00% (31 December 2018: 1.90% to 15.00%) per annum at 31 December 2019. The remaining borrowings amounting to RMB2,750,052,000 (31 December 2018: RMB1,668,001,000) are arranged at variable rates with the effective interest rates ranging from 4.00% to 6.51% (31 December 2018: 2.3% to 5%) per annum at 31 December 2019.

(e) The range of effective interest rates at the end of each reporting period is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Bank loans	**1.6% to 9.5%**	1.9% to 10.5%
Trust loans	**7.1% to 14.0%**	6.4% to 15.0%
Other loans	**12.0% to 12.8%**	9.0% to 15.0%

(f) At 31 December 2019, the Group has unutilised banking facilities of RMB5,680,390,000 (2018: RMB2,779,560,000).

(g) Except for bank and other borrowings of RMB2,503,467,000 (31 December 2018: RMB3,951,582,000) which are denominated in HKD and RMB810,503,000 (31 December 2018: nil) which are denominated in USD as at 31 December 2019, all the bank and other borrowings are denominated in RMB.

29 SENIOR NOTES

	Notes	2019 RMB'000	2018 RMB'000
Issued in 2017 and due April 2019		–	343,473
Issued in 2017 and due May 2019		–	340,117
Issued in 2018 and due January 2019		–	2,657,704
Issued in 2018 and due October 2019		–	1,136,152
Issued in 2018 and due October 2020		**122,533**	2,735,063
Issued in 2019 and due May 2022	*(a)*	**1,639,014**	–
Issued in 2019 and due March 2022	*(b)*	**1,848,218**	–
Issued in 2019 and due February 2023	*(c)*	**1,665,011**	–
		5,274,776	7,212,509
Less: amount due within one year shown under current liabilities		**(314,084)**	(4,477,446)
Included in non-current liabilities		**4,960,692**	2,735,063

29 SENIOR NOTES (CONTINUED)

The movement of senior notes for the year is set out below:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**7,212,509**	4,330,952
Proceeds from issue of new senior notes	**2,730,999**	6,136,221
Derivatives financial instruments recognised (e)	**(179,897)**	–
Repayment of senior notes	**(4,644,144)**	(3,918,140)
Exchange difference	**67,098**	244,313
Interest expenses *(Note 11)*	**621,541**	777,336
Interest paid during the year	**(533,330)**	(358,173)
At the end of the year	**5,274,776**	7,212,509

Notes:

(a) In May 2019, the Company issued senior notes (the "May 2022 Senior Notes I") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum and will mature in May 2022. A portion of the May 2022 Senior Notes I was used to exchange for all of the outstanding USD160,000,000 senior notes due October 2019, i.e. the 2018 senior notes due October 2019.

In August 2019, the Company issued senior notes with a principal amount of USD25,000,000 (equivalent to RMB176,425,000) due in May 2022 (the "May 2022 Senior Notes II") which were consolidated with and formed a single series with the May 2022 Senior Notes I.

(b) In July 2019, the Company issued senior notes (the "March 2022 Senior Notes I") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes I was used to exchange for a total of USD174,671,000 in principal amount of the senior notes due October 2020.

In November 2019, the Company issued senior notes (the "March 2022 Senior Notes II") with a principal amount of USD30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with and formed a single series with March 2022 Senior Notes I.

(c) In October 2019, the Company issued senior notes (the "February 2023 Senior Notes I") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,413,800,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In November 2019, the Company issued senior notes (the "February 2023 Senior Notes II") with a principal amount of USD37,500,000 (equivalent to approximately RMB263,336,000), which were consolidated with and formed a single series with February 2023 Senior Notes I.

(d) The Company is required to make an offer to repurchase the outstanding senior notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, upon the occurrence of change of control triggering event or delisting event In the opinion of directors, the fair value of the above early redemption options was insignificant on initial recognition.

(e) All of the above senior notes contain a liability component and early redemption options.

The holders of these senior notes have the right, at their options, to require the Company to repurchase all or any portion of the principal on designated repurchase dates, as set out in the respective offering circulars at purchase prices ranging from 100% to 102.795% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

As at 31 December 2019, the fair value of these put options have been recognised as derivative financial instruments in the consolidated financial statements at the amount of RMB238,387,000 (2018: nil).

Liability component represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company.

(f) All senior notes issued by the Company are listed. The fair values of the senior notes as at 31 December 2019 were approximately RMB4,962,892,000.The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position.

30 SHARE CAPITAL

	Number of shares	Nominal value HKD'000	Nominal value RMB'000
Ordinary shares of HKD0.01 each			
Authorised			
At 1 January 2018, 31 December 2018 and 31 December 2019	10,000,000,000	100,000	
Issued and fully paid			
At 1 January 2018	2,452,000,000	24,520	20,564
Issue of shares upon scrip dividend scheme	39,405,402	394	345
Issue of shares for acquisition of entities under common control	19,566,400	196	174
At 31 December 2018 and 1 January 2019	2,510,971,802	25,110	21,083
Issue of shares for acquisition of Chuangyuan Group *(Note 1.2)*	50,180,189	502	434
Issue of shares upon scrip dividend scheme *(a)*	5,140,695	51	45
Issue of shares for acquisition of Huiyuan Group *(Note 1.2)*	1,377,959,475	13,780	12,308
At 31 December 2019	3,944,252,161	39,443	33,870

On 26 March 2019, a scrip dividend scheme was proposed by the Board in relation to the 2018 final dividend, pursuant to which, the shareholders of the Company would receive the final dividend wholly by way of an allotment of and issue of scrip shares unless the shareholders elected to receive the final dividend wholly in cash or partly in cash or partly in scrip shares. This proposal was approved at the annual general meeting of the Company held on 13 June 2019. On 30 July 2019, 5,140,695 shares of HKD0.01 each were allotted and issued at HKD3.452 each to shareholders in respect of the 2018 final dividend under the scrip dividend scheme. The shares issued were amounted to HKD17,746,000 (equivalent to RMB15,616,000).

31 CASH FLOW INFORMATION

(a) Cash generated from operations:

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		**4,789,537**	4,493,202
Adjustments for:			
Interest income on bank deposits	9	**(79,860)**	(72,196)
Interest income on loans receivable	9	**(132,597)**	(190,491)
Interest income on financial assets at FVPL	9	**(80,572)**	(63,791)
Finance costs	11	**282,698**	293,400
Net impairment reversal/(losses) on financial assets		**(19,942)**	94,764
Share of results of investments accounted for using the equity method	19	**(82,056)**	(86,449)
Depreciation of property and equipment	13	**12,785**	14,553
Amortisation of intangible assets		**198**	12
Foreign exchange loss (gain), net	10	**61,144**	167,016
Losses on disposal of subsidiaries	10	**39,709**	–
Gains on disposal of associate	10	**(21,712)**	–
Loss on disposal of financial assets at FVPL	10	**15,232**	–
Gain on disposal of property and equipment	10	**5**	(115)
Fair value change on investment properties	17	**(437,238)**	(365,890)
Fair value gain upon transfer of inventories of properties to investment properties	17	**–**	(520,917)
Fair value gains on derivative financial instruments	10	**55,357**	–
Depreciation of right-of-use assets	13	**2,311**	–
Fair value gain on financial assets at FVPL		**80,378**	(12,930)
Operating cash flows before movements in working capital		**4,485,377**	3,750,168
Decrease in inventories of properties		**629,197**	955,450
Decrease/(increase) in trade and other receivables		**1,737,054**	(1,791,442)
Increase in financial assets at FVPL		**(78,717)**	(274,752)
Increase in trade and other payables		**917,676**	383,430
Increase in pre-sale deposits received		**1,139,491**	4,421,217
Increase in restricted bank deposits		**(208)**	(1,300)
Cash generated from operations		**8,829,870**	7,442,771

31 CASH FLOW INFORMATION (CONTINUED)

(b) In the consolidated statement of cash flow, proceeds from disposals of property and equipment comprise:

	2019 RMB'000	2018 RMB'000 (Restated)
Net book amount disposed of *(Note 18)*	**1,270**	102
Gains on disposals *(Note 10)*	**(5)**	115
Proceeds	**1,265**	217

(c) Non-cash investing and financing activities

Major non-cash transactions during the year represented the issue of ordinary shares for acquisitions of entities under common control (Note 1.2 and Note 30) and the payment of dividend under scrip dividend scheme (Note 15 and Note 30) .

31 CASH FLOW INFORMATION (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Senior notes RMB'000	Due to non-controlling interests RMB'000	Due to related parties RMB'000	Total RMB'000
Net debt as at 31 December 2017 (restated)	–	14,890,909	4,330,952	200,314	2,936,689	22,358,864
Cash flows						
Financing cash flows	–	(3,008,821)	1,859,908	322,938	(2,757,028)	(3,583,003)
– Acquisitions of subsidiaries	–	1,526,145	–	320,578	–	1,846,723
– Consideration payable for acquisition of entities under common control	–	–	–	–	369,856	369,856
– Foreign exchange translation	–	131,025	244,313	–	–	375,338
– Interest expenses	–	1,261,663	777,336	–	133,442	2,172,441
Net debt as at 31 December 2018 (restated)	–	14,800,921	7,212,509	843,830	682,959	23,540,219
Adoption of HKFRS 16	13,005	–	–	–	–	13,005
Net debt as at 1 January 2019	13,005	14,800,921	7,212,509	843,830	682,959	23,553,224
Cash flows						
Financing cash flows	(2,641)	(3,913,813)	(2,446,475)	(113,945)	(447,999)	(6,924,873)
– Derivative liability component of senior notes	–	–	(179,897)	–	–	(179,897)
– Foreign exchange translation	–	(89)	67,098	–	–	67,009
– Interest expenses	550	1,243,160	621,541	–	–	1,865,251
Net debt as at 31 December 2019	10,914	12,130,179	5,274,776	729,885	234,960	18,380,714

32 RETIREMENT BENEFIT PLAN

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contributions is matched by employees.

The total expense recognised in profit or loss of RMB24,812,000 (2018: RMB20,676,000) represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

33 PLEDGE OF ASSETS

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the reporting period:

	2019 RMB'000	2018 RMB'000 (Restated)
Properties under development	**9,841,317**	14,185,426
Properties held for sale	**606,049**	370,534
Investment properties	**2,478,600**	1,048,391
Pledged bank deposits	**259,083**	1,965,481
Property and equipment	**72,312**	73,946
Financial assets at fair value through profit or loss	**14,866**	14,958
	13,272,227	17,658,736

34 COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitments for capital expenditures

	2019 RMB'000	2018 RMB'000 (Restated)
– In respects of projects classified as inventories of properties	**9,676,191**	8,659,553
– In respects of projects classified as investment properties	**–**	116,402

(b) Operating lease rentals receivable

	2019 RMB'000	2018 RMB'000 (Restated)
Within one year	**154,965**	72,211
In the second to third year inclusive	**178,784**	154,965
In the third to fourth year inclusive	**109,904**	178,784
In the fourth to fifth year inclusive	**109,715**	109,904
After five years	**610,996**	720,711
	1,164,364	1,236,575

35 GUARANTEES

	2019 RMB'000	2018 RMB'000 (Restated)
Mortgage guarantees	**13,289,638**	11,269,932
Pledge of properties held for sale for a related party	**-**	123,283
	13,289,638	11,393,215

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and at relevant reporting dates and accordingly, the directors of the Company consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and as at 31 December 2019 and 31 December 2018.

36 TRANSACTION WITH NON-CONTROLLING INTERESTS

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the year ended 31 December 2019 are as follows:

	2019 RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Deemed disposals of interest in subsidiaries without loss of control	28,644

During the year ended 31 December 2019, a third party injected RMB60,000,000 as capital to a subsidiary of the Group without loss of control. The Group recognised a increase in reserve of RMB28,644,000 and increase in non-controlling interest of RMB31,356,000.

37 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) Related party transactions

Apart from those related party transactions disclosed above in the consolidated financial statements, the following transactions were carried out with related parties.

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000 (Restated)
(i) Entities controlled by the Ultimate Shareholder and the close family members of the Ultimate Shareholder		
Procurement of intelligent system equipment	35,947	16,912
Procurement of architectural design services	30,881	30,274
Provision of property management services	36,894	28,315
Procurement of electrical appliances	14,000	5,042
Interest expense	–	133,442
Procurement of consulting services	12,615	25,700
Subscription of the Company's senior notes	534,377	–
Provision of financial guarantees to the Group	6,470,800	2,299,147
Provision of pledge of properties to the Group	–	123,283
(ii) Joint ventures		
Provision of property management services	1,155	476

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

37 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Short term benefits	**14,015**	11,884
Post-employment benefits	**133**	275
	14,148	12,159

The remuneration of directors and other members of key management is determined with reference to performance of individuals and market trends.

37 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	2019 RMB'000	2018 RMB'000 (Restated)
(i) Entities controlled by Ultimate Shareholder		
Trading nature and included in:		
– Trade receivables	**22,195**	3,473
– Other receivables	**2,472**	–
– Prepayment	**1,218**	–
– Trade payables	**72,572**	19,718
– Other payables	**228**	–
– Pre-sale deposits	**968**	–
Non-trading nature and included in:		
– Other receivables	**–**	3,406,517
– Other payables	**142,580**	441,159
(ii) Joint ventures		
Trading nature and included in:		
– Trade receivables	**1,020**	–
– Other receivables	**1,045**	–
– Trade payables	**2,792**	–
Non-trading nature and included in:		
– Other receivables	**2,222,991**	–
– Other payables	**–**	165,800
(iii) Associates		
Non-trading nature and included in:		
– Other receivables	**–**	72,732
– Other payables	**92,380**	76,000
(iv) Key management of a subsidiary		
Non-trading nature and included in:		
– Other receivables	**2,724**	2,600

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms except for an amount of RMB400,000,000 (2018: nil) due from a joint venture bearing interest at a rate of 8.5% per annum. The amount due to entities controlled by Ultimate Shareholder, amounting to RMB391,204,000 as at 31 December 2018, bore interest at rates ranged from 6.2% to 8.5% per annum with fixed repayment dates within one year. The amount due to a related party amounting to RMB67,611,000 as at 31 December 2018 bore interest at a rate of 7.2% per annum and was repayable within one year.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	4,921,852	818,931
Amounts due from subsidiaries	1,422,969	3,118,745
	6,344,821	3,937,676
Current assets		
Other receivables	1,273,573	824,435
Amounts due from subsidiaries	4,258,371	5,369,483
Financial assets at fair value through profit or loss	–	57,218
Cash and cash equivalent	10,232	439,339
	5,542,176	6,690,475
Current liabilities		
Other payables	216,835	79,055
Amounts due to subsidiaries	1,282	1,282
Bank and other borrowings	–	382,061
Senior notes	314,084	4,477,446
	532,201	4,939,844
Net current assets	5,009,975	1,750,631
Total assets less current liabilities	11,354,796	5,688,307
Equity		
Share capital	33,870	21,083
Reserves	6,121,847	2,932,161
Total equity	6,155,717	2,953,244
Non-current liabilities		
Senior notes	4,960,692	2,735,063
Derivative financial instruments	238,387	–
	11,354,796	5,688,307

The statement of financial position of the Company was approved by the Board of Directors on 9 March 2020 and was signed on its behalf.

Zhang Yi
Director

Cheuk Hiu Nam
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

Reserve movements of the Company

	Share premium RMB'000	(Accumulated losses) retained earnings RMB'000	Total RMB'000
At 1 January 2018	3,216,102	216,369	3,432,471
Issue of shares upon scrip dividend scheme	495,310	–	495,310
Issue of shares for acquisition of entities under common control	245,760	–	245,760
Dividends	(625,286)	–	(625,286)
Loss and total comprehensive loss for the year	–	(616,094)	(616,094)
At 31 December 2018	3,331,886	(399,725)	2,932,161
At 1 January 2019	**3,331,886**	**(399,725)**	**2,932,161**
Issue of shares upon scrip dividend scheme	**15,571**	**–**	**15,571**
Issue of shares for acquisition of entities under common control	**4,090,177**	**–**	**4,090,177**
Dividends	**(248,054)**	**–**	**(248,054)**
Loss and total comprehensive loss for the year	**–**	**(668,008)**	**(668,008)**
At 31 December 2019	**7,189,580**	**(1,067,733)**	**6,121,847**

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies:

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Directly held by the Company:						
Jiayuan Investment Management Limited 佳源投資管理有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan Commercial Properties Company Limited 佳源商業地產有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Indirectly held by the Company:						
Hong Kong Jiayuan Commercial Properties Limited 香港佳源商業地產有限公司	Hong Kong	**100%**	100%	HKD10,000	Hong Kong	Investment holding
Hong Kong Youyou Kids Playground Limited 香港優優兒童娛樂有限公司	Hong Kong	**100%**	100%	HKD10,000	Hong Kong	Investment holding
Yangzhou Baoyuan Commercial Management Co., Ltd 揚州博源商務管理有限公司	PRC	**100%**	100%	RMB725,500,000	PRC	Investment holding
Nanjing Jiayuan Commercial Management Co., Ltd 南京佳源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Huyuan Holding Limited 滬源控股有限公司	BVI	**100%**	100%	USD50,000	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Yangzhou Guoyuan Property Development Co., Ltd 揚州國源房地產開發有限公司	PRC	**100%**	100%	RMB100,000,000	PRC	Property development
Changzhou Chongyuan Commercial Management Co., Ltd 常州崇源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Taixing Hengyuan Commercial Management Co., Ltd 泰興市恒源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Taixing Jiayuan Commercial Management Co., Ltd 泰興市佳源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Yangzhou Jiayuan Commercial Management Co., Ltd 揚州佳源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Taizhou Mingyuan Commercial Management Co., Ltd 泰州明源商業管理有限公司	PRC	**100%**	100%	RMB100,000	PRC	Property development and investment
Jiayuan (Macau) Holding Limited 佳源(澳門)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Hong Kong) Holdings Limited 佳源(香港)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Cambodia) Holdings Limited 佳源(柬埔寨)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Vietnam) Holdings Limited 佳源(越南)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Chuangyuan Holdings Limited 創源控股有限公司 (i)	BVI	**100%**	–	USD1	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong	**100%**	100%	HKD990,000	Hong Kong	Investment and property holding
Jiayuan Financial Holdings Limited 佳源金融控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan Property Agency Limited 佳源地產代理有限公司	BVI	**100%**	100%	HKD1	Hong Kong	Investment holding
Pinyuan Development Limited 品源發展有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Huiyuan Investment Holdings Limited 徽源投資控股有限公司 (i)	BVI	**100%**	–	USD1	Hong Kong	Investment holding
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau	**100%**	100%	MOP25,000	Macau	Property development and investment
MJY Property Limited 澳門佳源置業有限公司	Macau	**100%**	100%	MOP25,000	Macau	Property development and investment
Jiayuan (Macau) Investment Limited 佳源(澳門)投資有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan StanGroup Development Company Limited 佳源陞域發展有限公司	BVI	**70.1%**	70.1%	USD1	Hong Kong	Investment holding
Top Galaxy Limited	BVI	**70.1%**	70.1%	HKD7.8	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Sino Harbour Holdings Limited 國海集團有限公司	Hong Kong	**70.1%**	70.1%	HKD1	Hong Kong	Investment holding
Jiayuan Investment Development Limited 佳源投資發展有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Vietnam) Investment Limited 佳源(越南)投資有限公司	Hong Kong	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Vietnam) Management Limited 佳源(越南)管理有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan Property Management Limited 佳源(越南)投資和發展有限公司	Hong Kong	**100%**	100%	USD1	Hong Kong	Investment holding
Chuangyuan Development Limited 創源發展有限公司 (ii)	BVI	**100%**	100%	USD1	BVI	Investment holding
Jiayuan Property Management Limited 佳源物業管理有限公司 (ii)	Hong Kong	**100%**	100%	HKD1	Hong Kong	Investment holding
Zhejiang Heyuan Property Services Co., Ltd 浙江禾源物業服務集團有限公司 (ii)	PRC	**100%**	100%	RMB300,000,000	PRC	Investment holding
Zhejiang Jiayuan Property Management Services Group Co., Ltd 浙江佳源物業服務集團有限公司 (ii)	PRC	**100%**	100%	RMB50,000,000	PRC	Property management
Ninggang Jiayuan Investment Consulting Group Co., Ltd 寧港佳源投資諮詢集團有限公司	PRC	**100%**	100%	RMB1,000,000	PRC	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Changzhou Jinyuan Property Development Co., Ltd 常州金源房地產開發有限公司	PRC	**100%**	100%	RMB70,500,000	PRC	Property development
Changzhou Dexin Jiayuan Property Co., Ltd ("Changzhou Dexin") 常州德信佳源置業有限公司	PRC	**50.50%**	50.50%	RMB220,000,000	PRC	Property development
Yangzhou Guangyuan Property Development Co., Ltd 揚州廣源房地產開發有限公司	PRC	**100%**	100%	USD22,560,000	PRC	Property development and investment
Taixing Mingyuan Property Development Co., Ltd 泰興市明源房地產開發有限公司	PRC	**100%**	100%	USD10,000,000	PRC	Property development
Guo Xiang Property Co., Ltd 國祥房地產有限公司	Hong Kong	**100%**	100%	HKD10,000	Hong Kong	Investment holding
Dinglijia Co., Ltd 鼎立佳有限公司	Hong Kong	**100%**	100%	HKD1	Hong Kong	Investment holding
Yangzhou Xiyuan Building Materials Sales Co., Ltd 揚州市西源建材銷售有限公司	PRC	**100%**	100%	USD32,000,000	PRC	Building materials sales
Shenzhen Gangyuan Investment Consulting Co.,Ltd. 深圳港源投資諮詢有限公司	PRC	**100%**	100%	RMB100,000	PRC	Investment holding
Yangzhou Mingyuan Property Development Co., Ltd 揚州明源房地產開發有限公司	PRC	**100%**	100%	RMB10,000,000	PRC	Property development and investment
Hengli Property Nantong Co., Ltd 恒力房地產南通有限公司	PRC	**100%**	100%	RMB607,750,000	PRC	Property development and investment

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Yangzhou Xiangjiang New City Centre Property Co., Ltd 揚州香江新城市中心置業有限公司	PRC	**100%**	100%	RMB400,000,000	PRC	Property development and investment
Yangzhou Gangyuan Property Management Co., Ltd ("Yangzhou Gang Yuan") 揚州港源置業管理有限公司	PRC	**70%**	70%	RMB10,000,000	PRC	Property development
Jiangsu Derun Hongxiang Property Co., Ltd 江蘇德潤鴻翔置業有限公司	PRC	**100%**	100%	RMB20,000,000	PRC	Property development and investment
Yangzhou Yurun Property Development Co., Ltd 揚州雨潤房地產開發有限公司	PRC	**100%**	100%	RMB100,000,000	PRC	Property development
Yangzhou Hengyuan Property Development Co., Ltd 揚州恒源房地產開發有限公司	PRC	**100%**	100%	RMB40,000,000	PRC	Property development and investment
Taizhou Jia Yuan Property Development Co., Ltd 泰州市佳源房地產開發有限公司	PRC	**100%**	100%	RMB140,000,000	PRC	Property development and investment
Taizhou Mingyuan Property Development Co., Ltd 泰州市明源房地產開發有限公司	PRC	**100%**	100%	RMB60,000,000	PRC	Property development and investment
Taixing Guangyuan Property Development Co., Ltd 泰興市廣源房地產開發有限公司	PRC	**100%**	100%	RMB300,000,000	PRC	Property development and investment
Taixing Hengyuan Property Development Co., Ltd 泰興市恒源房地產開發有限公司	PRC	**100%**	100%	RMB26,670,000	PRC	Property development and investment

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Suqian Jia Yuan Property Development Co., Ltd ("Suqian Jia Yuan") 宿遷市佳源房地產開發有限公司	PRC	**90%**	90%	RMB60,000,000	PRC	Property development
Siyang Fengyuan Property Development Co., Ltd 泗陽豐源房地產開發有限公司	PRC	**100%**	100%	RMB50,000,000	PRC	Property development and investment
Haiyi International Land (Taicang) Co., Ltd 海藝國際置地(太倉)有限公司	PRC	**100%**	100%	RMB150,000,000	PRC	Property development
Jiayuan Southern (Shenzhen) Group Co., Ltd 佳源南方(深圳)集團有限公司	PRC	**70%**	100%	RMB100,000	PRC	Property development and investment
Nanjing Jiafeng Consulting Management Co., Ltd 南京嘉豐諮詢管理有限公司	PRC	**100%**	100%	RMB5,000,000	PRC	Investment holding
Yangzhou Jialian Property Development Co., Ltd 揚州嘉聯置業發展有限公司	PRC	**70%**	70%	RMB75,087,960	PRC	Property development
Zhuhai Rongyuan Real Estate Co., Ltd 珠海榮源房地產有限公司	PRC	**60%**	60%	RMB10,000,000	PRC	Property development
Enping Empire Resort and Spa Development Co., Ltd ("Enping Empire") 恩平市帝都溫泉旅遊區發展有限公司	PRC	**78.3%**	90%	RMB133,000,000	PRC	Property development
Nanjing Rongsheng Construction Consulting Co., Ltd 南京融晟建築諮詢有限公司 (i)	PRC	**100%**	–	RMB20,000,000	PRC	Construction Consulting

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Nanjing Rongjia Shanju Construction Development Co., Ltd 南京融佳善居建設發展有限公司 (i)	PRC	60%	–	RMB20,000,000	PRC	Property development
Anhui Yeyuan Real Estate Development Co., Ltd 安徽業源房地產開發有限公司 (i)	PRC	60%	–	RMB200,000,000	PRC	Property development
Hefei Shuoyuan Real Estate Development Co., Ltd 合肥市碩源房地產開發有限公司 (i)	PRC	60%	–	RMB100,000,000	PRC	Property development
Nantong Lishun Property Co., Ltd 南通力順置業有限公司	PRC	100%	100%	RMB20,000,000	PRC	Property development and investment
Xinjiang Jiayuan Building Development Co., Ltd 新疆佳源創建房地產開發有限公司	PRC	63%	90%	RMB100,000	PRC	Property development and investment
Guizhou Hengfeng Xingyuan Development Co. Ltd 貴州恒豐佳源房地產開發有限公司	PRC	42.7%	61%	RMB10,000,000	PRC	Property development and investment
Shenzhen Xiangyuan Industry Co., Ltd 深圳市翔源實業有限公司	PRC	70%	100%	RMB100,000,000	PRC	Property development
Changzhou Ruiyuan Real Estate Co., Ltd 常州睿源置業有限公司	PRC	100%	100%	RMB405,000,000	PRC	Property development
Yangzhou Haoyuan Real Estate Development Co., Ltd 揚州浩源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Nanjing Xinhaoning Property Development Co., Ltd 南京新浩寧房地產開發有限公司	PRC	100%	100%	USD99,000,000	PRC	Property development

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Nanjing Guangyuan science and Technology Industrial Park Management Co., Ltd 南京廣源科技產業園管理有限公司 (i)	PRC	**100%**	–	USD300,000,000	PRC	Industrial Park Management
Shanghai Jiayuan Hucheng Real Estate Group Co., Ltd 上海佳源滬城房地產集團有限公司	PRC	**90%**	90%	RMB35,000,000	PRC	Investment holding
Shanghai Dongyuan Property Development Co. Ltd ("Shanghai Dongyuan") 上海東源房地產開發有限公司	PRC	**90%**	90%	RMB10,000,000	PRC	Property development and investment
Shanghai Xiangyuan Property Development Co. Ltd ("Shanghai Xiangyuan") 上海祥源房地產有限公司	PRC	**90%**	90%	RMB5,000,000	PRC	Property development and investment
Shanghai Dingyuan Property Development Co. Ltd ("Shanghai Dingyuan") 上海定源房地產有限公司	PRC	**90%**	90%	RMB10,000,000	PRC	Property development and investment
Shanghai Rongyuan Real Estate Co., Ltd 上海榮源房地產有限公司	PRC	**90%**	90%	RMB100,000,000	PRC	Property development
Jiayuan Capital Limited 佳源資本有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Saipan) Holdings Limited 佳源(塞班)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Huiyuan Property Development Limited 徽源房地產開發有限公司 (i)	Hong Kong	**100%**	–	HKD10	Hong Kong	Investment holding
Anhui Mingyuan Enterprise Management Consulting Co., Ltd 安徽明源企業管理諮詢有限公司 (i)	PRC	**100%**	–	RMB30,000,000	PRC	Enterprise Management Consulting
Anhui Jiayuan Real Estate Group Co., Ltd 安徽佳源房地產集團有限公司 (ii)	PRC	**100%**	100%	RMB200,000,000	PRC	Property development and investment
Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd 浙江佳源安徽房地產開發有限公司 (ii)	PRC	**100%**	100%	RMB200,000,000	PRC	Property development
Lujiang Guangyuan Real Estate Development Co., Ltd 廬江縣廣源置業發展有限公司 (ii)	PRC	**99%**	99%	RMB50,000,000	PRC	Property development
Hexian Jiayuan Real Estate Development Co., Ltd 和縣佳源房地產開發有限公司 (ii)	PRC	**78.5%**	78.5%	RMB50,000,000	PRC	Property development
Lixin Mingyuan Real Estate Development Co., Ltd 利辛縣明源房地產開發有限公司 (ii)	PRC	**60%**	60%	RMB75,000,000	PRC	Property development
Guoyang Mingbang Real Estate Co., Ltd 渦陽縣名邦置業有限公司 (i)	PRC	**51%**	51%	RMB100,000,000	PRC	Property development
Fengtai Mingyuan Real Estate Development Co., Ltd 鳳台縣明源房地產開發有限公司 (ii)	PRC	**100%**	100%	RMB35,000,000	PRC	Property development

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Lu'an xinhuaxin Real Estate Co., Ltd 六安新華信置業有限公司 (ii)	PRC	**70%**	70%	RMB100,000,000	PRC	Property development
Guoyang Xinggang Real Estate Co., Ltd 渦陽縣星港置業有限公司 (ii)	PRC	**91%**	91%	RMB200,000,000	PRC	Property development
Bengbu Mingyuan Real Estate Development Co., Ltd 蚌埠明源房地產開發有限公司 (ii)	PRC	**82.5%**	82.5%	RMB171,250,000	PRC	Property development
Lujiang Jiayuan Real Estate Development Co., Ltd 廬江縣佳源房地產開發有限公司 (ii)	PRC	**42%**	42%	RMB100,000,000	PRC	Property development
Shucheng Jiayuan Real Estate Development Co., Ltd 舒城佳源房地產開發有限公司 (ii)	PRC	**55%**	55%	RMB100,000,000	PRC	Property development
Anhui Shuyuan Real Estate Development Co., Ltd 安徽墅源房地產開發有限公司 (i)	PRC	**100%**	–	RMB200,000,000	PRC	Property development
Mengcheng Minhe Residential Real Estate Development Co., Ltd 蒙城民和民居房地產開發有限公司 (i)	PRC	**67%**	–	RMB30,550,000	PRC	Property development

(i) These subsidiaries were newly incorporated during the year ended 31 December 2019.

(ii) These subsidiaries were acquired by the Group under Chuangyuan Acquicition and Huiyuan Acquisition during the year ended 31 December 2019.

For those subsidiaries with equity interest of 50% or less, as the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group thus has control over these companies and these companies are accounted for as subsidiaries of the Group.

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The English names of the Mainland China companies 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 directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries is not disclosed.

40 EVENTS AFTER THE REPORTING PERIOD

After the Novel Coronavirus ("COVID-19") outbreak in early 2020, a series of precautionary and control measures have been implemented across the Asia region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements was authorised for issue, the Group was not aware of any material adverse effects on its consolidated financial statements as a result of the COVID-19 outbreak.

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